SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

GROUP RESULTS

The board of directors (the "Board") of South China (China) Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2011** **HK$'000**	2010 HK$'000 (Restated)
Revenue	*3*	**3,097,990**	2,648,673
Cost of sales		**(2,669,334)**	(2,227,789)
Gross profit		**428,656**	420,884
Other income and gain, net		**28,384**	28,704
Selling and distribution costs		**(42,815)**	(41,979)
Administrative and operating expenses		**(316,249)**	(299,665)
Non-cash equity-settled share option and share award expenses		**(1,358)**	(9,445)
Gain on disposal of assets and investments, net	*4*	**10,138**	1,805
Changes in fair value and impairment of assets	*5*	**41,630**	174,040
Profit from operations	*3 & 6*	**148,386**	274,344
Finance costs		**(20,505)**	(28,837)
Share of profits and losses of associates		**186,992**	195,042
(Impairment) / reversal of impairment of advances to an associate		**(496)**	376
Profit before tax		**314,377**	440,925
Tax	*7*	**(36,676)**	(22,696)
Profit for the year		**277,701**	418,229

	Notes	**2011** **HK$'000**	2010 HK$'000 (Restated)
Attributable to:			
Owners of the Company		**262,038**	406,654
Non-controlling interests		**15,663**	11,575
		277,701	418,229
Earnings per share attributable to owners of the Company	*8*		
Basic		**HK 8.8 cents**	HK 13.7 cents
Diluted		**HK 8.8 cents**	HK 13.5 cents

Details of the dividends paid and proposed for the year are set out in note 9.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011	2010
	HK$'000	HK$'000
		(Restated)
Profit for the year	**277,701**	418,229
Other comprehensive income/(loss)		
Surplus on revaluation	**8,894**	-
Change in fair value of available-for-sale financial assets	**(7,126)**	11,834
Exchange differences on translation of foreign operations	**48,737**	36,552
Other comprehensive income for the year, net of tax	**50,505**	48,386
Total comprehensive income for the year	**328,206**	466,615
Attributable to:		
Owners of the Company	**308,191**	452,814
Non-controlling interests	**20,015**	13,801
	328,206	466,615

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2011 HK$'000**	As at 31 December 2010 HK$'000 (Restated)	As at 1 January 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**214,017**	248,814	236,643
Investment properties		**1,648,393**	1,445,134	1,396,616
Prepaid land lease payments		**90,000**	64,371	52,164
Construction in progress		**84,711**	51,256	27,597
Interests in associates		**747,549**	664,184	468,862
Biological assets		**155,625**	161,735	88,990
Available-for-sale financial assets		**45,987**	53,432	41,901
Other non-current assets		**16,666**	16,666	16,666
Trade receivable, prepayments and deposits		**30,119**	22,490	-
Goodwill		**3,152**	3,071	3,011
Total non-current assets		**3,036,219**	2,731,153	2,332,450
CURRENT ASSETS				
Inventories		**346,537**	382,420	306,403
Trade receivables	*10*	**252,562**	142,134	155,773
Prepayments, deposits and other receivables		**210,670**	87,293	75,078
Financial assets at fair value through profit or loss		**26,885**	25,698	22,052
Due from a non-controlling shareholder of a subsidiary		**245**	-	-
Due from affiliates		**78,000**	7,499	19,647
Tax recoverable		**14,530**	1,997	6,808
Cash and bank balances		**427,980**	136,358	184,815
		1,357,409	783,399	770,576
Investment properties classified as held for sale		**331,990**	435,339	304,908
Total current assets		**1,689,399**	1,218,738	1,075,484
CURRENT LIABILITIES				
Trade and bills payables	*11*	**354,371**	293,861	288,390
Other payables and accruals		**339,242**	347,694	261,975
Interest-bearing bank and other borrowings		**737,795**	466,251	467,856
Due to a non-controlling shareholder of subsidiaries		**21,390**	23,943	20,697
Due to affiliates		**-**	36,883	27,426
Tax payable		**40,860**	31,480	30,266
Total current liabilities		**1,493,658**	1,200,112	1,096,610
NET CURRENT ASSETS / (LIABILITIES)		**195,741**	18,626	(21,126)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,231,960**	2,749,779	2,311,324

	Notes	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000 (Restated)	As at 1 January 2010 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings		**68,468**	38,148	40,825
Advances from a director		**-**	-	38,409
Advances from non-controlling shareholders of subsidiaries		**31,851**	30,411	29,346
Due to an associate		**140,724**	-	-
Other non-current liabilities		**90,410**	87,302	85,170
Deemed consideration for acquisition of subsidiaries under merger accounting		**-**	41,796	32,579
Deferred tax liabilities		**275,277**	248,716	232,417
Total non-current liabilities		**606,730**	446,373	458,746
Net assets		**2,625,230**	2,303,406	1,852,578
EQUITY				
Equity attributable to owners of the Company				
Issued capital		**59,773**	59,773	59,424
Reserves		**2,447,890**	2,116,026	1,677,025
Proposed final dividend		**-**	29,886	29,714
		2,507,663	2,205,685	1,766,163
Non-controlling interests		**117,567**	97,721	86,415
Total equity		**2,625,230**	2,303,406	1,852,578

Notes:

1. Principal accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited 2010 annual financial statements except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2011 as disclosed in the 2010 audited annual financial statements. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

2. Common control combinations

During the year ended 31 December 2011, the Group acquired:

i) the entire interest in Thousand China Investments Limited ("Thousand China"); and
ii) the entire interest in Autowill Limited ("Autowill") and the shareholder's loan thereto, and
iii) the entire interest in Surplus Access International Limited ("Surplus Access") and the shareholder's loan thereto.

(collectively the "Acquired Businesses") from companies ultimately controlled by the substantial shareholder of the Company. Further details about the acquisition of interests in Thousand China, Autowill and Surplus Access have been set out in the announcements dated 11 January 2011 and 28 October 2011, respectively.

As the Company and the vendors are ultimately controlled by the aforesaid substantial shareholder who is also a director of the Company, the acquisitions were regarded as business combinations under common control. To consistently apply the Group's accounting policy for common control combination, the acquisitions of the Acquired Businesses have been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA as if the acquisitions had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of the Acquired Businesses. The effect of the acquisitions on and, hence, the items so restated in the comparative financial statements are summarized below:

(a) Effect on the consolidated statement of financial position as at 31 December 2010

	As previously reported HK$'000	Acquisition of Thousand China HK$'000	Acquisition of Autowill HK$'000	Acquisition of Surplus Access HK$'000	Total HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS							
Property, plant and equipment	246,951	1,464	399	-	248,814	-	248,814
Prepaid land lease payments	42,000	17,726	4,645	-	64,371	-	64,371
Biological assets	160,471	1,264	-	-	161,735	-	161,735
Others *	2,256,233	-	-	-	2,256,233	-	2,256,233
Total non-current assets	2,705,655	20,454	5,044	-	2,731,153	-	2,731,153
CURRENT ASSETS							
Prepayments, deposits and other receivables	83,738	2,989	449	117	87,293	-	87,293
Cash and bank balances	118,741	7,081	10,536	-	136,358	-	136,358
Others *	995,087	-	-	-	995,087	-	995,087
Total current assets	1,197,566	10,070	10,985	117	1,218,738	-	1,218,738
CURRENT LIABILITIES							
Other payables and accruals	346,442	935	317	-	347,694	-	347,694
Due to affiliates	3,379	33,504	17,266	-	54,149	(17,266)	36,883
Others *	815,535	-	-	-	815,535	-	815,535
Total current liabilities	1,165,356	34,439	17,583	-	1,217,378	(17,266)	1,200,112
NET CURRENT ASSETS / (LIABILITIES)	32,210	(24,369)	(6,598)	117	1,360	17,266	18,626
TOTAL ASSETS LESS CURRENT LIABILITIES	2,737,865	(3,915)	(1,554)	117	2,732,513	17,266	2,749,779
NON-CURRENT LIABILITIES							
Deemed consideration for acquisition of subsidiaries under merger accounting	-	-	-	-	-	41,796	41,796
Others *	404,577	-	-	-	404,577	-	404,577
Total non-current liabilities	404,577	-	-	-	404,577	41,796	446,373
Net assets / (liabilities)	2,333,288	(3,915)	(1,554)	117	2,327,936	(24,530)	2,303,406
EQUITY							
Exchange fluctuation reserve	120,007	508	999	272	121,786	-	121,786
Retained earnings / (accumulated losses)	1,852,828	(4,423)	(2,553)	(155)	1,845,697	-	1,845,697
Merger reserve	10,805	-	-	-	10,805	(24,530)	(13,725)
Others *	349,648	-	-	-	349,648	-	349,648
Total equity / (deficiency in assets)	2,333,288	(3,915)	(1,554)	117	2,327,936	(24,530)	2,303,406

(b) Effect on the consolidated statement of financial position as at 1 January 2010

	As previously reported HK$'000	Acquisition of Thousand China HK$'000	Acquisition of Autowill HK$'000	Acquisition of Surplus Access HK$'000	Total HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS							
Property, plant and equipment	234,504	2,099	40	-	236,643	-	236,643
Prepaid land lease payments	42,484	9,680	-	-	52,164	-	52,164
Others *	2,043,643	-	-	-	2,043,643	-	2,043,643
Total non-current assets	2,320,631	11,779	40	-	2,332,450	-	2,332,450
						-	
CURRENT ASSETS							
Prepayments, deposits and other receivables	74,613	387	12	66	75,078	-	75,078
Cash and bank balances	174,907	2,131	7,777	-	184,815	-	184,815
Others *	815,591	-	-	-	815,591	-	815,591
Total current assets	1,065,111	2,518	7,789	66	1,075,484	-	1,075,484
CURRENT LIABILITIES							
Trade and bills payables	288,384	6	-	-	288,390	-	288,390
Other payables and accruals	258,674	3,210	-	91	261,975	-	261,975
Due to affiliates	15,688	11,738	8,049	-	35,475	(8,049)	27,426
Others *	518,819	-	-	-	518,819	-	518,819
Total current liabilities	1,081,565	14,954	8,049	91	1,104,659	(8,049)	1,096,610
NET CURRENT ASSETS / (LIABILITIES)	(16,454)	(12,436)	(260)	(25)	(29,175)	8,049	(21,126)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,304,177	(657)	(220)	(25)	2,303,275	8,049	2,311,324
NON-CURRENT LIABILITIES							
Deemed consideration for acquisition of subsidiaries under merger accounting	-	-	-	-	-	32,579	32,579
Others *	426,167	-	-	-	426,167	-	426,167
Total non-current liabilities	426,167	-	-	-	426,167	32,579	458,746
Net assets / (liabilities)	1,878,010	(657)	(220)	(25)	1,877,108	(24,530)	1,852,578
EQUITY							
Exchange fluctuation reserve	87,355	63	(14)	56	87,460	-	87,460
Retained earnings / (accumulated losses)	1,471,069	(720)	(206)	(81)	1,470,062	-	1,470,062
Merger reserve	10,805	-	-	-	10,805	(24,530)	(13,725)
Others *	308,781	-	-	-	308,781	-	308,781
Total equity / (deficiency in assets)	1,878,010	(657)	(220)	(25)	1,877,108	(24,530)	1,852,578

(c) Effect on consolidated income statement for the year ended 31 December 2010

	As previously reported HK$'000	Acquisition of Thousand China HK$'000	Acquisition of Autowill HK$'000	Acquisition of Surplus Access HK$'000	As restated HK$'000
Other income and gain, net	27,328	544	832	-	28,704
Administrative and operating expenses	(292,165)	(4,247)	(3,179)	(74)	(299,665)
Others *	689,190	-	-	-	689,190
Profit / (loss) for the year	424,353	(3,703)	(2,347)	(74)	418,229
Attributable to:					
Owners of the Company	412,778	(3,703)	(2,347)	(74)	406,654
Non-controlling interests	11,575	-	-	-	11,575
	424,353	(3,703)	(2,347)	(74)	418,229

* Being aggregate of items not being affected by the common control combinations and, hence, not being restated

3. Revenue and segmental information

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, the value of services rendered and gross rental income received and receivable from investment properties during the year.

An analysis of the Group's consolidated revenue and contribution to profit/(loss) from operations by principal activity and geographical location for the years ended 31 December 2011 and 2010 is as follows:

	Revenue		**Contribution to profit/(loss) from operations**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000 (Restated)
By principal activity:				
Trading and manufacturing	**2,955,338**	2,578,559	**138,217**	144,789
Property investment and development	**107,535**	57,960	**156,552**	166,626
Agriculture and forestry	**35,117**	12,154	**(80,921)**	27,801
Investment holding	**-**	-	**(65,462)**	(64,872)
	3,097,990	2,648,673	**148,386**	274,344

	Revenue		**Contribution to profit from operations**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000 (Restated)
By geographical location#:				
The People's Republic of China ("PRC", including Hong Kong and Macau)	**278,096**	181,048	**30,966**	130,267
United States of America	**1,645,104**	1,544,160	**69,771**	90,835
Europe	**650,314**	520,615	**27,479**	29,889
Japan	**63,550**	33,047	**2,421**	1,935
Others	**460,926**	369,803	**17,749**	21,418
	3,097,990	2,648,673	**148,386**	274,344

\# *Revenue by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.*

4. Gain on disposal of assets and investments, net

	2011	2010
	HK$'000	HK$'000
Gain on disposal of investment properties	**10,331**	-
(Loss) / gain on disposal of items of property, plant and equipment	**(241)**	1,754
Gain on disposal of available-for-sale financial assets	**48**	77
Loss on disposal of interest in an associate	**-**	(26)
	10,138	1,805

5. Changes in fair value and impairment of assets

	2011	2010
	HK$'000	HK$'000
Fair value gain on investment properties	**102,538**	142,567
Fair value (loss) / gain on biological assets	**(46,472)**	44,423
Fair value loss on financial assets at fair value through profit or loss	**(14,535)**	(2,914)
Impairment of other receivables	**-**	(10,000)
Write back of impairment of property, plant and equipment	**183**	-
Impairment of available-for-sale financial assets	**(84)**	(36)
	41,630	174,040

6. Depreciation and amortisation

Depreciation in respect of the Group's property, plant and equipment and amortisation in respect of the Group's prepaid land lease payments for the year ended 31 December 2011 amount to approximately HK$38,509,000 (2010:HK$38,737,000) and HK$21,514,000 (2010 (restated): HK$17,446,000), respectively.

7. Tax

Hong Kong profits tax has been provided at the rate of 16.5 % (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

8. Earnings per share attributable to owners of the Company

The calculation of basic and diluted earnings per share are based on the profit attributable to owners of the Company of approximately HK$262,038,000 (year ended 31 December 2010 (restated): approximately HK$406,654,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2011	2010
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,988,637**	2,977,623
Effect of dilution – weighted average number of ordinary shares: Warrants	**-**	38,503
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,988,637**	3,016,126

The Company's share options have no dilutive effect in 2010 and 2011 as the exercise price of the Company's share options was higher than the average market price of the shares in both years.

9. Dividends

No interim dividend was paid during the year (2010: Nil). The Board does not recommend the payment of any final dividend for the year (2010: a final cash dividend of HK1.00 cent per ordinary share totaling approximately HK$29.89 million).

10. Trade receivables

The Group's trading terms with its customers are on credit with credit period ranging from period of one to three months depending on a number of factors including trade practices, collection history and location of customers. Each customer has a credit limit. The Group maintains strict control over its outstanding receivables and credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by the senior management and would be handled closely by the credit control department.

An aging analysis of trade receivables based on invoice date is as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Within 90 days	**231,276**	124,327
91 to 180 days	**5,981**	8,304
181 to 365 days	**10,708**	1,229
Over 365 days	**4,597**	8,274
	252,562	142,134

11. Trade and bills payables

Included in trade and bills payables of the Group are trade payables of HK$352,980,000 (2010: HK$284,981,000) and their aging analysis based on invoice date is as follows:

	As at 31 December 2011 HK$'000	As at 31 December 2010 HK$'000
Within 90 days	**239,164**	219,228
91 to 180 days	**50,335**	14,642
181 to 365 days	**16,443**	4,569
Over 365 days	**47,038**	46,542
	352,980	284,981

The trade payables are non-interest-bearing and normally settled on 90-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, Wah Shing Toys, Wah Shing Electronics and South China Shoes. Despite the weak global economy, appreciation of Renminbi and increase in material and labour costs, the segment recorded 14.6% increase in revenue to HK$3.0 billion but a 4.5% drop in operating profit to HK$138.2 million for the year ended 31 December 2011.

The segment experienced a record high in turnover in 2011. This was largely due to the fact that Wah Shing Toys was able to benefit from the further consolidation of the toys industry after the financial tsunami in late 2008. The turnover achieved in 2011 further confirmed that the exceptional growth in 2010 is sustainable. This further strengthened our position as one of the leading players in the toys industry.

During the year, Wah Shing Toys, Wah Shing Electronics and South China Shoes reported a growth in revenue by 13.0%, 13.7% and 34.6% respectively as compared to 2010. These three major operating subsidiaries, however, recorded a 13.4% decrease in profit from operation to HK$138.6 million in 2011 due to the above mentioned adverse factors.

Property Investment and Development

Revenue from the property investment and development segment increased by 85.5% to HK$107.5 million for the year ended 31 December 2011 as compared to the corresponding period in 2010. The increase in revenue primarily reflects the effect of renewed and new lease agreements and the periodic rental adjustment clauses of the existing tenancy agreements. In particular, rental income from a subsidiary in Nanjing increased by HK$44.5 million or 186.6% to HK$68.3 million as compared to the corresponding period in 2010. Such increase in rental income includes a one-off retrospective rental adjustment of HK$ 34.7 million in respect of the prior years' rental as agreed with a tenant. The fair value gain on investment properties and the investment properties held for sale, however, decreased by 28.1% to HK$102.5 million in aggregate. This eroded the rental income recognized in respect of the abovementioned one-off retrospective rental adjustment. Operating profit after the fair value gain from the segment decreased by HK$10.1 million to HK$156.6 million as compared to the corresponding period in 2010.

Our Group's share of the 30% owned principal associate that holds the Grade-A commercial building in Central Hong Kong, the Centrium, recorded a profit before tax from operation of HK$31.9 million at the level similar to that of the corresponding period. The Group's share of fair value change on the property (net of the corresponding deferred tax charge) was HK$154.1 million.

Agriculture and Forestry

In line with the Group's strategy to be one of the active market players in the Mainland's agriculture industry, we continued our effort in expanding our farmland gradually. In 2011, the Group entered into new leases for approximately 254,000 mu of woodlands in Chongqing and Wuhan and approximately 28,000 mu of farmlands in Shenyang, Xian, Harbin and Hebei. The newly acquired farmlands in Shenyang, Harbin and Hebei are mainly used to plant cotton, corns and potatoes.

Revenue from the agriculture segment increased by 188.9% to HK$35.1 million for the year ended 31 December 2011 as compared with 2010.

The agriculture segment recorded a loss before changes in fair value of HK$34.4 million in 2011 as compared to a loss before changes in fair value of HK$16.6 million in 2010. This is mainly due to the large-scale plantation in Shenyang and Hebei, the drop in market price of certain agricultural produce in Harbin and the adverse weather conditions in Xian and Hebei.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had a current ratio of 1.1 and a gearing ratio of 2.6% (31 December 2010: 1.0 and 1.7%, respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$68.5 million to the Group's equity of HK$2.6 billion. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

MATERIAL ACQUISTIONS AND DISPOSALS

On 11 January 2011, the Group entered into an agreement to acquire certain subsidiaries engaged in forestry business in the PRC from a subsidiary of South China Holdings Limited ("SCH"), an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), for a consideration of HK$23.8 million subject to adjustment in accordance with the terms of the agreement. The Group and SCH are ultimately controlled by a substantial shareholder of the Company. The transaction was completed on 31 January 2011.

On 11 January 2011, the Group entered into an agreement to acquire certain subsidiaries engaged in agricultural business in the PRC from a subsidiary of South China Land Limited ("SCL"), an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on the Growth Enterprise Market of the Stock Exchange, for a consideration of HK$24.1 million subject to adjustment in accordance with the terms of the agreement. The Group and SCL are ultimately controlled by a substantial shareholder of the Company. The transaction was completed on 31 March 2011.

Details of the above acquisitions have been set out in the Company's announcements dated 11 January 2011.

PROSPECTS

Trading and Manufacturing

The year 2012 will be yet another challenging year to the Group's trading and manufacturing business as recovery in the US economy is still uncertain and the debt crisis clouding in the Europe region has not been resolved completely.

The Group is cautiously optimistic as to the ongoing performance of our trading and manufacturing segment. The mixed economic indicators published in US in the recent months suggested that US economy has gone through its toughest period and is accumulating strength to kick start its economic recovery. The Group expects increases in labour and material costs and appreciation of RMB during 2012 but the increases would be at a much smaller magnitude than in 2011. In addition, the Group will continue its effort to expand its product range, enlarge our customer base and negotiate with customers to reflect current costs on an ongoing basis. On Wah Shing Toys, the Group is planning to set up a profit improvement committee aiming at inspiring employees' initiative in cost improvement in every aspect of the manufacturing processes. We believe that this effort will bring positive contribution to the bottom line of the segment.

Property Investment and Development

The Group has a property portfolio of more than 400,000 square meters in China and 291,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and they offer strong redevelopment potential as their average plot ratio is below 1.0. The Group is continuously looking for redevelopment opportunities for these properties in order to maximize their return to shareholders.

In Nanjing, the Group's principal investment properties are located in prime locations. The street-front shops at Shi Zi Qiao (Lion Bridge), the traditional pedestrian/food street in Golou district in the centre of Nanjing city, are one of our hidden gems. The rental income generated from these shops carries potential for further increase on the expiry of the current lease agreements. Given the location and the size of the site, the hidden strength and value of the site as a large-scale shopping mall would be fully exploited when a redevelopment plan is agreed with the government.

The 29,000 square meters site in Yuhuatai, Nanjing is currently being leased out as a flower wholesale market. Given its prime location and close proximity to the metro station, it has a great potential to explore fully the hidden strength and value of the site through redevelopment into a residential and/or commercial property in the future.

In Guangdong province, the negotiation with the government to redevelop part of its lychee plantation in Zengcheng into a commercial/residential estate is in progress. This will be the first phase of the development of this plantation area, which is adjacent to Guangzhou's third ring road completed last year. We anticipate that the re-development of this plantation area is of substantial potential as it is only 30 kilometers from Guangzhou city.

In Tianjin, the Group is evaluating continuously the redevelopment potential of a number of industrial sites. In particular, a factory site near the metro station is being planned for commercial development.

On 6 January 2012, shareholders approved the entrusted management agreement whereby the Group acquired the exclusive right to manage a shopping mall in Shenyang. We believe that this agreement does not only enable the Group to widen its property leasing business to cover shopping mall related operations in the medium and long term, but also provides the Group with another stable recurring income source.

With the existing lease agreements due for renewal in the future and the entrusted management agreement signed, the Group expects that revenue and contribution from property investment and development segment would continue to grow and become one of the Group's major recurring and reliable income sources. We will continue to unload our non-core investment properties in Hong Kong in order to reallocate more resources to our projects in China.

Agriculture and Forestry

The Group currently has long-term leases of about 354,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China. We are focusing on the plantation of fruits such as apples, melons, lychee, longan, winter date fruits, crops such as corns and potatoes and breeding of livestock such as pigs and fishes for sale. The Group will continue its effort in exploring plantation opportunities for high profit margin species. With the acquisition of woodlands in 2011, it places the Group in a good position to capture opportunities available in China's forestry industry in the long run.

With the plantation experience gained in the past years, we expect that the agriculture segment will gradually generate sustainable profit to the Group in the future.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: a final cash dividend of HK1.00 cent per ordinary share totaling approximately HK$29.89 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Ms. Li Yuen Yu, Alice (Chairman of the audit committee), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth.

The Group's annual results for the year ended 31 December 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

By order of the board
South China (China) Limited
Ng Hung Sang
Chairman

Hong Kong, 27 March 2012

As at the date of this announcement, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica as non-executive director; and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth, and Ms. Li Yuen Yu, Alice as independent non-executive directors.