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 2013

GROUP RESULTS

The board of directors (the "Board") of South China (China) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2013** **HK$'000**	2012 HK$'000 (Restated)
Revenue	*3*	**3,013,518**	2,354,199
Cost of sales		**(2,630,038)**	(2,048,978)
Gross profit		**383,480**	305,221
Other income and gains, net		**43,481**	28,926
Selling and distribution costs		**(61,375)**	(47,358)
Administrative and operating expenses		**(379,292)**	(351,088)
Equity-settled share award expense		**(2,500)**	(3,223)
Loss on disposal and write-off of assets and investments, net	*4*	**(13,413)**	(39,418)
Changes in fair value and impairment of assets	*5*	**143,209**	302,883
Profit from operations	*3&6*	**113,590**	195,943
Finance costs		**(51,336)**	(84,821)
Share of profits and losses of associates		**254,905**	269,837
Impairment of advances to an associate		**(60)**	(80)
Profit before tax		**317,099**	380,879
Income tax expense	*7*	**(33,481)**	(36,053)
Profit for the year		**283,618**	344,826

	Note	**2013**	2012
		HK$'000	HK$'000
			(Restated)
Attributable to:			
Owners of the Company		**285,604**	329,070
Non-controlling interests		**(1,986)**	15,756
		283,618	344,826
Earnings per share attributable to ordinary equity holders of the Company	*8*		
Basic		**HK 9.7 cents**	HK 11.1 cents
Diluted		**HK 6.4 cents**	HK 11.0 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013 HK$'000	2012 HK$'000 (Restated)
Profit for the year	**283,618**	344,826
Other comprehensive income/(loss):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
Changes in fair value	**15,997**	11,415
Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	**(1,114)**	-
	14,883	11,415
Reclassification adjustment for exchange reserve realised on deregistration of subsidiaries	**1,227**	-
Exchange differences on translation of foreign operations	**122,242**	(1,470)
Share of other comprehensive income of associates	**435**	-
Other comprehensive income for the year, net of tax	**138,787**	9,945
Total comprehensive income for the year, net of tax	**422,405**	354,771
Attributable to:		
Owners of the Company	**404,405**	338,650
Non-controlling interests	**18,000**	16,121
	422,405	354,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2013 HK$'000**	As at 31 December 2012 HK$'000 (Restated)	As at 1 January 2012 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**242,424**	225,121	218,893
Investment properties		**1,765,795**	1,726,378	1,648,393
Investment property under construction		**3,162,809**	3,019,473	2,975,087
Prepaid land lease payments		**90,559**	87,829	90,000
Construction in progress		**127,770**	116,326	84,711
Investments in associates		**1,348,694**	1,124,854	892,232
Biological assets		**123,962**	137,784	155,625
Available-for-sale financial assets		**71,689**	57,381	45,987
Other non-current assets		**15,638**	16,666	16,666
Trade receivable, prepayments and deposits		**18,967**	18,777	30,119
Goodwill		**3,219**	3,152	3,152
Total non-current assets		**6,971,526**	6,533,741	6,160,865
CURRENT ASSETS				
Inventories		**405,875**	341,396	346,537
Trade receivables	*10*	**272,180**	185,958	252,657
Prepayments, deposits and other receivables		**128,324**	311,765	223,888
Foreign exchange forward contracts		**14,617**	1,464	-
Financial assets at fair value through profit or loss		**65,271**	38,089	26,885
Due from non-controlling shareholders of subsidiaries		**41,999**	35,218	35,428
Due from an affiliate		**78,000**	78,000	78,000
Tax recoverable		**20,459**	20,222	14,530
Cash and bank balances		**391,744**	255,837	430,272
		1,418,469	1,267,949	1,408,197
Non-current assets classified as held for sale		**449,069**	497,424	331,990
Total current assets		**1,867,538**	1,765,373	1,740,187
CURRENT LIABILITIES				
Trade and bills payables	*11*	**353,155**	238,011	431,902
Other payables and accruals		**416,678**	396,457	367,886
Interest-bearing bank borrowings		**991,136**	1,046,148	750,114
Due to a non-controlling shareholder of subsidiaries		**23,438**	21,390	21,390
Tax payable		**36,334**	35,462	40,860
Total current liabilities		**1,820,741**	1,737,468	1,612,152
NET CURRENT ASSETS		**46,797**	27,905	128,035
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,018,323**	6,561,646	6,288,900

	Note	**As at 31 December 2013** **HK$'000**	As at 31 December 2012 (Restated) HK$'000	As at 1 January 2012 (Restated) HK$'000
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings		**1,314,925**	748,791	649,281
Advances from non-controlling shareholders of subsidiaries		**33,047**	31,851	31,851
Due to an associate		**105,948**	116,579	140,724
Other non-current liabilities		**89,742**	89,628	90,410
Deferred tax liabilities		**810,854**	766,985	737,960
Total non-current liabilities		**2,354,516**	1,753,834	1,650,226
Net assets		**4,663,807**	4,807,812	4,638,674
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*12*	**86,832**	59,773	59,773
Reserves		**4,093,219**	3,912,945	3,760,173
		4,180,051	3,972,718	3,819,946
Non-controlling interests		**483,756**	835,094	818,728
Total equity		**4,663,807**	4,807,812	4,638,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2012 annual financial statements except that the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are effective for the annual period beginning on 1 January 2013 as disclosed in the 2012 audited annual financial statements. The adoption of these new and revised HKFRSs does not have significant impact on the Group's results of operations and financial position.

2. Changes in accounting policies

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new and revised HKFRSs has had no significant impact on the accounting policies of the Group, the methods of computation used in the preparation of the Group's financial statements and the Group's results of operations and financial position. However, the adoption of HKAS 1 Amendments has resulted in a modification of the presentation of the consolidated statement of comprehensive income.

The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (i) items that will not be reclassified subsequently to profit or loss and (ii) items that may be reclassified to profit or loss in subsequent periods when specific conditions are met. The adoption of amendments to HKAS 1 does not result in a change in the Group's accounting policy. The Group has modified the presentation of other comprehensive income in these consolidated financial statements accordingly.

2.1 Common control combination

On 17 January 2013, the Company announced that the acquisition of the entire issued share capital of Splendor Sheen Limited ("Splendor Sheen") from a direct wholly-owned subsidiary of South China Land Limited ("SCL") (the "Vendor") by an indirect wholly-owned subsidiary of the Company (the "Acquisition") was completed on 16 January 2013. The principal asset of Splendor Sheen is its interests in the shopping mall operations in Shenyang held by one of its subsidiaries. SCL and the Company are ultimately controlled by the substantial shareholder of the Company. Details of the Acquisition were disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively.

As the Company and the Vendor are ultimately controlled by the aforesaid substantial shareholder, who is also a director of the Company, the Acquisition was regarded as business combination under common control. To consistently apply the Group's accounting policy for common control combination, the Acquisition has 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 Hong Kong Institute of Certified Public Accountants as if the Acquisition 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 combination 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 Splendor Sheen and its subsidiaries (collectively the "Splendor Sheen Group"). The effect of the Acquisition on and, hence, the items so restated in the comparative financial statements are summarised in the tables below :

(a) Effect of the Acquisition on the consolidated statement of financial position as at 1 January 2012

	As previously reported	**Effect of merger accounting for Splendor Sheen Group**	**As restated**
	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	214,017	4,876	218,893
Investment property under construction	-	2,975,087	2,975,087
Others ^	2,966,885	-	2,966,885
Total non-current assets	3,180,902	2,979,963	6,160,865
CURRENT ASSETS			
Trade receivables	252,562	95	252,657
Prepayments, deposits and other receivables	210,670	13,218	223,888
Due from non-controlling shareholders of subsidiaries	245	35,183	35,428
Cash and bank balances	427,980	2,292	430,272
Others ^	797,942	-	797,942
Total current assets	1,689,399	50,788	1,740,187
CURRENT LIABILITIES			
Trade and bills payables	354,371	77,531	431,902
Other payables and accruals	339,242	28,644	367,886
Interest-bearing bank borrowings	737,795	12,319	750,114
Others ^	62,250	-	62,250
Total current liabilities	1,493,658	118,494	1,612,152
NET CURRENT ASSETS	195,741	(67,706)	128,035
TOTAL ASSETS LESS CURRENT LIABILITIES	3,376,643	2,912,257	6,288,900
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	68,468	580,813	649,281
Deferred tax liabilities	244,480	493,480	737,960
Others ^	262,985	-	262,985
Total non-current liabilities	575,933	1,074,293	1,650,226
		-	
Net assets	2,800,710	1,837,964	4,638,674
EQUITY			
Exchange fluctuation reserve	166,489	73,403	239,892
Retained profits	2,283,364	667,302	2,950,666
Merger reserve	(13,725)	396,098	382,373
Non-controlling interests	117,567	701,161	818,728
Others ^	247,015	-	247,015
Total equity	2,800,710	1,837,964	4,638,674

2.1 Common control combination (continued)

(b) Effect of the Acquisition on the consolidated statement of financial position as at 31 December 2012

	As previously reported	Effect of merger accounting for Splendor Sheen Group	As restated
	HK$'000	HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	222,630	2,491	225,121
Investment property under construction	-	3,019,473	3,019,473
Trade receivable, prepayments and deposits	268,215	(249,438)	18,777
Others ^	3,270,370	-	3,270,370
Total non-current assets	3,761,215	2,772,526	6,533,741
CURRENT ASSETS			
Prepayments, deposits and other receivables	305,067	6,698	311,765
Due from non-controlling shareholders of subsidiaries	399	34,819	35,218
Cash and bank balances	253,874	1,963	255,837
Others ^	1,162,553	-	1,162,553
Total current assets	1,721,893	43,480	1,765,373
CURRENT LIABILITIES			
Trade and bills payables	237,851	160	238,011
Other payables and accruals	349,214	47,243	396,457
Interest-bearing bank borrowings	1,015,337	30,811	1,046,148
Others ^	56,852	-	56,852
Total current liabilities	1,659,254	78,214	1,737,468
NET CURRENT ASSETS	62,639	(34,734)	27,905
TOTAL ASSETS LESS CURRENT LIABILITIES	3,823,854	2,737,792	6,561,646
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	198,532	550,259	748,791
Deferred tax liabilities	262,515	504,470	766,985
Others ^	238,058	-	238,058
Total non-current liabilities	699,105	1,054,729	1,753,834
Net assets	3,124,749	1,683,063	4,807,812
EQUITY			
Exchange fluctuation reserve	164,186	73,871	238,057
Retained profits	2,604,754	677,696	3,282,450
Merger reserve	(13,725)	221,327	207,602
Non-controlling interests	124,925	710,169	835,094
Others ^	244,609	-	244,609
Total equity	3,124,749	1,683,063	4,807,812

2.1 Common control combination (continued)

(c) Effect of the Acquisition on the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2012

	As previously reported HK$'000	Effect of merger accounting for Splendor Sheen Group HK$'000	Elimination HK$'000	As restated HK$'000
Consolidated statement of profit or loss				
Revenue	2,352,826	48,915	(47,542)	2,354,199
Cost of sales	(2,048,978)	-	-	(2,048,978)
Gross profit	303,848	48,915	(47,542)	305,221
Other income and gains, net	28,286	640	-	28,926
Selling and distribution costs	(41,467)	(5,891)	-	(47,358)
Administrative and operating expenses	(387,249)	(11,381)	47,542	(351,088)
Changes in fair value and impairment of assets	259,748	43,135	-	302,883
Others ^	(42,641)	-	-	(42,641)
Profit from operations	120,525	75,418	-	195,943
Finance costs	(39,184)	(45,637)	-	(84,821)
Others ^	269,757	-	-	269,757
Profit before tax	351,098	29,781	-	380,879
Income tax expense	(25,269)	(10,784)	-	(36,053)
Profit for the year	325,829	18,997	-	344,826
Attributable to:				
Owners of the Company	318,676	10,394	-	329,070
Non-controlling interests	7,153	8,603	-	15,756
	325,829	18,997	-	344,826
Consolidated statement of comprehensive income				
Profit for the year	325,829	18,997	-	344,826
Other comprehensive income/(loss):				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(2,343)	873	-	(1,470)
Others ^	11,415	-	-	11,415
Other comprehensive income for the year, net of tax	9,072	873	-	9,945
Total comprehensive income for the year, net of tax	334,901	19,870	-	354,771
Attributable to:				
Owners of the Company	327,788	10,862	-	338,650
Non-controlling interests	7,113	9,008	-	16,121
	334,901	19,870	-	354,771

^ Being aggregate of items not being affected by the common control combination 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 2013 and 2012 is as follows:

	Revenue		Contribution to profit/(loss) from operations	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
By principal activity:				
Trading and manufacturing	**2,894,435**	2,228,852	**66,117**	37,155
Property investment and development	**101,563**	98,130	**184,213**	339,968
Agriculture and forestry	**17,520**	27,217	**(77,383)**	(94,706)
Investment holding	**-**	-	**(59,357)**	(86,474)
	3,013,518	2,354,199	**113,590**	195,943

	Revenue		Contribution to profit from operations	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
By geographical location#:				
The People's Republic of China ("PRC", including Hong Kong and Macau)	**256,109**	312,243	**60,142**	177,934
United States of America	**1,633,644**	1,152,978	**22,860**	5,278
Europe	**579,968**	491,155	**8,924**	6,488
Japan	**60,811**	9,462	**2,103**	10
Others	**482,986**	388,361	**19,561**	6,233
	3,013,518	2,354,199	**113,590**	195,943

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

4. Loss on disposal and write-off of assets and investments, net

	2013 **HK$'000**	2012 HK$'000
Gain on disposal of an investment property	**2,270**	16
Gain on disposal of items of property, plant and equipment	**1,122**	180
Gain on disposal of financial assets at fair value through profit or loss	**171**	-
Gain on disposal of available-for-sale financial assets	**1,114**	-
Gain on disposal of other non-current assets	**8,073**	-
Gain on disposal of investment in a subsidiary	**-**	200
Loss on disposal of biological assets	**(719)**	-
Loss on deregistration of subsidiaries	**(1,227)**	-
Write-off of biological assets	**(24,217)**	(39,814)
	(13,413)	(39,418)

5. Changes in fair value and impairment of assets

	2013 **HK$'000**	2012 HK$'000 (Restated)
Fair value gain on investment properties and investment property under construction	**66,182**	208,113
Fair value gain on investment properties presented as non-current assets classified as held for sale	**65,974**	103,016
Fair value loss on biological assets	**(14,890)**	(12,845)
Fair value gain on financial assets at fair value through profit or loss	**22,522**	3,156
Fair value gain on foreign exchange forward contracts	**3,421**	1,464
Impairment of available-for-sale financial assets	**-**	(21)
	143,209	302,883

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 2013 amount to approximately HK$44,842,000 (2012 (restated): HK$40,735,000) and HK$23,657,000 (2012: HK$17,096,000), respectively.

7. Income tax expense

Income tax comprises current and deferred tax.

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic and diluted earnings per share is based on the profit attributable to owners of the Company of HK$285,604,000 (2012 (restated): HK$329,070,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	2013	2012
Number of ordinary shares	**'000**	'000
Weighted average number of ordinary shares in issue less shares held for share award scheme during the year used in the basic earnings per share calculation	**2,948,920**	2,962,827
Effect of redeemable convertible preference shares	**1,488,027**	-
Effect of shares held for the share award scheme	**39,716**	25,810
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,476,663**	2,988,637

The Company's share options have no dilution effect in 2013 and 2012 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 (2012: Nil). The Board does not recommend the payment of any final dividend for the year (2012 : Nil).

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 handled closely by the credit control department.

An ageing analysis of trade receivables net of provision as at the end of the reporting period based on invoice date is as follows:

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000
Within 90 days	**260,052**	168,086
91 to 180 days	**4,258**	6,152
181 to 365 days	**1,959**	6,120
Over 365 days	**5,911**	5,600
	272,180	185,958

11. Trade and bills payables

Included in trade and bills payables of the Group are trade payables of HK$353,155,000 (2012 (restated): HK$238,011,000) and their ageing analysis based on invoice date is as follows:

	As at 31 December 2013 HK$'000	As at 31 December 2012 HK$'000 (Restated)
Within 90 days	**267,461**	167,082
91 to 180 days	**33,017**	14,939
181 to 365 days	**5,731**	7,387
Over 365 days	**46,946**	48,603
	353,155	238,011

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

12. Share capital

	31 December 2013 HK$'000	31 December 2012 HK$'000
Authorised :		
Ordinary shares		
5,000,000,000 shares (2012 : 5,000,000,000 shares) of HK$0.02 each	**100,000**	100,000
Redeemable convertible preference shares		
2,000,000,000 shares (2012 : 2,000,000,000 shares) of HK$0.02 each	**40,000**	40,000
Issued and fully paid :		
Ordinary shares		
2,988,636,863 shares (2012 : 2,988,636,863 shares) of HK$0.02 each	**59,773**	59,773
Redeemable convertible preference shares		
1,770,710,526 shares (2012 : nil) of HK$0.02 each issued during the year	**35,414**	-
417,768,000 shares (2012 : nil) of HK$0.02 each redeemed during the year	**(8,355)**	-
	27,059	-
	86,832	59,773

	Issued ordinary shares HK$'000	Issued redeemable convertible preference shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	59,773	-	6,724	66,497
Redeemable convertible preference shares issued during the year	-	35,414	973,891	1,009,305
Redeemable convertible preference shares redeemed during the year	-	(8,355)	(229,773)	(238,128)
At 31 December 2013	59,773	27,059	750,842	837,674

The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holder of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the board of directors of the Company, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meeting of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

13. Comparative amounts

As further explained in note 2.1 to this announcement, due to the application of AG 5 in the current year, certain retrospective adjustments have been made, certain comparative amounts have been restated to conform with the current year's presentation, and a third consolidated statement of financial position as at 1 January 2012 has been presented. In addition, the comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have been re-presented as if the Acquisition had occurred from the date when the combining entities first came under the control of the substantial shareholder.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK$3.0 billion and profit after tax of HK$283.6 million for the year ended 31 December 2013, representing an increase of 28.0% and a decrease of 17.8%, respectively, from the corresponding amounts reported in 2012.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, Wah Shing Toys, Wah Shing Electronics and South China Shoes. The segment recorded a 29.9% increase in revenue to HK$2.9 billion and a 77.9% increase in operating profit to HK$66.1 million for the year ended 31 December 2013.

The toys operations and the shoes operations reported an increase in revenue by 29.6% and 33.4%, respectively, in 2013. This revealed a sign of economic recovery in the U.S. although the economy has been sluggish in prior years and the recovery process takes time. The increase in revenue of the toys operations in the current year mainly reflects the increase in revenue from new models. As compared with the corresponding period in prior year, South China Shoes recorded a considerable growth in revenue from a U.S. customer of branded work-boots, with whom we started the business in 2011 second half, in the current year.

Wah Shing Toys reported the record high revenue in 2013. Although the 30.6% increase in revenue to HK$2.3 billion in 2013 resulted in an increase in gross margin in dollar term, the improvement in gross margin percentage from last year, however, was not significant. Wah Shing Toys entered into a lease agreement in respect of a factory premise in Humen Town, Dongguan City in late 2012 and incurred setup, testing and trial run costs for this new production facility in the current year. The new production facility at Humen Town, which commenced operation in March 2013, was filled by the newly hired workers, and has not operated in its optimum capacity and efficiency at its start-up stage. The increase in number of new models in 2013 also lowered the production efficiency to some extent at the beginning of the product life spans. Besides, the increase in minimum wages squeezed the profit margin further. These have hindered the improvement in gross margin percentage that may come along with a larger production scale. In addition to the above, the increase in sales and, hence, operation scale in 2013 also resulted in an increase in selling expenses and certain operating and administrative costs. Despite the challenges on the cost side, Wah Shing Toys recorded a 85.2% increase in operating profit in 2013.

Although Wah Shing Electronics recorded a 19.8% increase in revenue to HK$212.0 million in 2013, its operating loss increased further in 2013 in the face of the rising labour costs and inefficiency in production of the new models.

South China Shoes recorded a 33.4% increase in revenue to HK$297.8 million in 2013. The revenue growth of South China Shoes in 2013 came with an increase in the number of new models, which were not produced at the optimum efficiency in their initial production, in particular the branded products which carried higher quality and workmanship requirements. Despite the significant increase in revenue, gross margin for the reporting period increased by 6.0% only as compared with the prior year amount irrespective to a 33.4% increase in revenue because of the inefficiency in the initial production of such new models. This accompanied by the increase in selling expenses and certain operating and administrative expenses resulted in an operating loss slightly above the amount reported in the prior year.

Given the costs incurred in and the effort exerted on setting up the new production facility and the production of new models in 2013, which will facilitate the production in future, management expected that there will be growth in production capacity in the toys operations and, hence, rooms for further revenue growth and improvement in operating performance for the trading and manufacturing segment.

Property Investment and Development

On 16 January 2013, the Group acquired the entire issued share capital in Splendor Sheen Limited ("Splendor Sheen"), which holds 80% interests in the Avenue of Stars (formerly known as Fortuna Plaza), a shopping mall in Shenyang. The construction work to prepare the newly acquired shopping mall for its intended use is underway. The Avenue of Stars will be positioned as a trendy shopping mall, targeting the youth market. It will be the first shopping mall so positioned in Shenyang.

The property investment and development segment recorded a 3.5% increase in revenue to HK$101.6 million in 2013.

The Avenue of Stars, the shopping mall at Shenyang, was under construction in 2013 for a revamp to suit the intended use of a trendy shopping mall targeting the youth market. The amount of administrative and operating costs recognized for the Avenue of Stars in 2013, when the Avenue of Stars was under construction, decreased as compared with prior year. However, more selling expenses were incurred in 2013 for tenant recruitment. The fair value gain on investment properties (including the investment property under construction) and investment properties held for sale decreased by 57.5% or HK$179.0 million to HK$132.1 million in aggregate.

The 45.8% decrease in the segmental operating profit to HK$184.2 million primarily reflects the result of the factors referred to in the above.

The Group's 30%-owned principal associate that holds The Centrium, a Grade-A commercial building in Central, Hong Kong, generated profit from operation before tax attributable to the Group of HK$37.4 million, representing a decrease of HK$3.0 million as compared with the corresponding period in prior year. The said decrease in 2013 was mainly due to the increase in finance costs in excess of the increase in rental income (after deduction of the increase in direct expenses) attributable to the Group's 30% interests in such associate. The Group's share of fair value gain on the investment property for the year ended 31 December 2013 amounted to HK$223.5 million.

Agriculture and Forestry

In line with the Group's strategy to be one of the active market players in the Mainland's agriculture and forestry industries, we continued our effort in expanding the sites areas of our farmland and woodland gradually. During the year ended 31 December 2013, the Group entered into new leases for approximately 80,000 mu of farmland and woodland in Harbin, Binzhou, Wuhan and Chongqing.

Revenue from the agriculture and forestry segment decreased by 35.6% to HK$17.5 million in 2013 as compared with the corresponding period in 2012. Despite the decrease in revenue in the current reporting period, operating loss before fair value loss on biological assets decreased from HK$81.9 million in 2012 to HK$62.5 million in 2013. The improvement in operating results in the current reporting period is mainly attributable to the decrease in write-off of biological assets due to adverse weather conditions and losses identified in physical count in 2013 and the results of the cost control measures taken to contain the plantation and operating costs. The fair value loss on biological assets increased by 15.9% to HK$14.9 million in 2013 as compared with the corresponding amount in 2012 of HK$12.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a current ratio of 1.0 and a gearing ratio of 28.2% (31 December 2012: 1.0 and 15.6% (restated), respectively). The gearing ratio is computed by comparing the Group's long-term bank borrowings of HK$1.3 billion to the Group's equity of HK$4.7 billion. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

MATERIAL ACQUISITION AND DISPOSAL

As disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively, on 4 July 2012, Even Dragon Limited ("Even Dragon"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Crystal Hub Limited ("Crystal Hub") a direct wholly-owned subsidiary of SCL whereby the Even Dragon conditionally agreed to acquire and Crystal Hub conditionally agreed to sell the sale shares, being the entire issued share capital in Splendor Sheen which holds the 80% interest in the Avenue of Stars (formerly known as Fortuna Plaza) through a subsidiary, at a consideration of approximately HK$1,589 million. Pursuant to the terms of the sale and purchase agreement, the deed to terminate the entrusted management agreement was signed by the relevant subsidiaries of the Company and SCL on the date of the sale and purchase agreement whereby the entrusted management agreement was terminated subject to and upon completion of the transaction contemplated under the sale and purchase agreement. The entrusted management agreement was entered into between an indirect wholly-owned subsidiary of the Company as grantee and a direct wholly-owned subsidiary of SCL as grantor in November 2011 whereby the exclusive right to manage the Avenue of Stars as a shopping mall was granted to the grantee at a basic fee of Rmb80 million per annum and, subject to the actual performance of the shopping mall operations, a performance fee determined with reference to the net operating profit of the said operations. Further details about the entrusted management agreement were set out in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011, respectively. As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen was completed on 16 January 2013.

On 15 August 2013, the Group signed the following agreements with independent third parties:

(a) the letter agreement for the disposal of the entire issued share capital in and the assignment of the loan to Spark-Inn Investments Limited, an indirect wholly-owned subsidiary of the Company holding Factory Unit A on the Ground Floor of Cheung Wah Industrial Building in Hong Kong, at a consideration of HK$121.4 million subject to certain adjustments; and
(b) the provisional agreement for sale and purchase for the disposal of Factory Unit B on the Ground Floor of Cheung Wah Industrial Building in Hong Kong at a consideration of HK$121.4 million.

Details of the above transactions were set out in the Company's announcement dated 15 August 2013. These transactions were completed on 16 October 2013.

EVENT AFTER THE REPORTING PERIOD

On 18 February 2014, the Company announced that on 17 February 2014, Perennial Success Limited ("Perennial Success"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Crystal Hub Limited ("Crystal Hub"), a direct wholly-owned subsidiary of SCL, whereby Perennial Success has conditionally agreed to acquire and Crystal Hub has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited, an indirect wholly owned subsidiary of SCL holding the interest in a property development project in Shenyang, the People's Republic of China through a wholly owned subsidiary, at a consideration of HK$600 million. Details of such transaction were set out in the Company's announcement and circular dated 18 February 2014 and 19 March 2014, respectively.

PROSPECTS

Trading and Manufacturing

Given the signs of economic recovery in the U.S., which were also revealed by the segmental revenue growth in 2013, management holds a positive view on the revenue growth in 2014.

The Group will continue its effort to expand product range, enlarge customer base and negotiate with customers with a view to reflecting the current costs in product pricing. On the cost improvement side, the Group will continue its effort to ensure that every aspect of its operations is cost effective. Management believed that such effort will bring positive contributions to the bottom line of the segment. To cope with the anticipated growth, Wah Shing Toys has set up a new production facility in Humen Town, Dongguan in the current reporting period. Despite the various costs which Wah Shing Toys has incurred and may incur at the start-up stage of this new plant, management expected that the new plant will bring long term benefits to the toys manufacturing operation.

Given the segmental revenue growth in the current year, which reinforced our view on the U.S. economic recovery, and management's anticipation that the increase in labour and material costs as well as the Renminbi appreciation would be relatively mild in the coming year in view of the slow and unstable economic recovery in the western countries and the market concerns about the sustainability of the high economic growth rate in the PRC, the Group is cautiously optimistic about the performance of the trading and manufacturing segment.

Property Investment and Development

The Group has a property portfolio with total floor area of more than 513,000 square metres in Mainland China and 279,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and offer strong redevelopment potential.

The China sourced rental income was mainly generated from the properties in Nanjing. The Group's principal investment properties are located at the prime locations in Nanjing. The properties at Shi Zi Qiao (Lion Bridge), a traditional pedestrian/food street at the Gulou district at the centre of Nanjing, are some of the hidden gems. These shops carry great potential for rental increment on the expiry of the current leases. The Group also sees the hidden strength and value of the site as a large-scale shopping mall when a redevelopment plan is agreed with the local government.

The Group also holds a site with 29,000 square metres at Yuhuatai in Nanjing. The site is currently operated by the existing tenants as a flower wholesale market. Given the prime location and close proximity to the metro station, it has a great redevelopment potential in the future, and will then fully release its hidden strength and value as good opportunities arise.

The properties in Nanjing, together with the industrial sites in Tianjin and the lychee plantation in Zhengcheng, offer the Group various redevelopment opportunities. The Group will continue to look for redevelopment opportunities for such properties in China in order to maximize their return to shareholders.

Upon completion of the acquisition of the entire issued share capital in Splendor Sheen on 16 January 2013, the Group added to its properties portfolio a shopping mall in Shenyang, namely the Avenue of Stars. Tenant recruitment for the Avenue of Stars, which is currently in progress, takes longer than expected. Management expected that the outstanding construction work will be completed in 2014 first half and targeted to have the shopping mall opened in the second half of 2014. The shopping mall operations will broaden the scope of the property leasing business and widen the rental income stream of the Group, contributing a source of stable cash inflows in the long run.

Management expected that revenue and contribution from the property investment and development segment would continue to grow and become one of the Group's major recurring and reliable income sources. Meanwhile, the Group will continue to unload its non-core investment properties in Hong Kong in order to reallocate more resources to our projects in Mainland China.

Agriculture and Forestry

The Group currently has long-term leases of approximately 523,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China, and is focusing on the plantation of fruits and crops, such as apple, lychee, winter date, peach, pear and corn, and breeding of livestock, such as pig, for sale. The Group will continue to explore plantation opportunities for high profit margin species and, as desirable opportunities arise, strategically expand its portfolio site area by new land leases.

Management will continue their effort in cost control and efficient resources utilization with a view to containing the costs as they accumulate experience in the industry and unveiling the full potential of the investments in the agriculture and forestry segment.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, the trustee of the Company's employees' share award scheme purchased a total of 3,912,000 shares of the Company at an aggregate consideration of approximately HK$2,986,000 pursuant to the terms of the rules and trust deed of the scheme. Other than that, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares during the year.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises four Independent Non-executive Directors, namely Ms. Li Yuen Yu Alice (Chairman of the Committee), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P.

The Group's annual results for the year ended 31 December 2013 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 and Executive Director

Hong Kong, 25 March 2014

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, Mr. Ng Yuk Fung Peter and Mr. Law Albert Yu Kwan 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, Ms. Li Yuen Yu Alice, Mr. Yip Dicky Peter, J.P., Dr. Leung Tony Ka Tung and Mr. Lau Lai Chiu Patrick as independent non-executive directors.