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 2014

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 2014 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2014** **HK$'000**	2013 HK$'000
Revenue	*3*	**3,159,789**	3,013,518
Cost of sales		**(2,775,914)**	(2,630,038)
Gross profit		**383,875**	383,480
Other income and gains, net		**144,868**	52,015
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**133,348**	132,156
Fair value loss on biological assets		**(8,489)**	(14,890)
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(4,840)**	22,522
Fair value (loss)/gain on foreign exchange forward contracts		**(1,158)**	3,421
Gain on disposal of an investment property presented as non-current assets classified as held for sale		**-**	2,270
Write-off of biological assets		**(18,656)**	(24,217)
Selling and distribution expenses		**(77,646)**	(61,375)
Administrative expenses		**(408,812)**	(379,292)
Equity-settled share award expense		**(2,127)**	(2,500)
Profit from operations	*3&4*	**140,363**	113,590

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Note	**2014** **HK$'000**	2013 HK$'000
Finance costs		**(94,298)**	(51,336)
Share of profits and losses of associates		**176,258**	254,905
Impairment of advances to an associate		**(22)**	(60)
Profit before tax		**222,301**	317,099
Income tax	*5*	**(32,660)**	(33,481)
Profit for the year		**189,641**	283,618
Attributable to:			
Equity shareholders of the Company		**198,903**	285,604
Non-controlling interests		**(9,262)**	(1,986)
		189,641	283,618
Earnings per share	*6*		
Basic		**HK 6.7 cents**	HK 9.7 cents
Diluted		**HK 4.3 cents**	HK 6.4 cents

Details of the dividends paid and proposed for the year are set out in note 7.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2014	2013
	HK$'000	HK$'000
Profit for the year	**189,641**	283,618
Other comprehensive income (after tax and reclassification adjustments):		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties	**315**	-
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
-Changes in fair value	**(272)**	15,997
-Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	**-**	(1,114)
	(272)	14,883
Reclassification adjustment for exchange reserve realised on deregistration of subsidiaries	**-**	1,227
Exchange differences on translation of operations outside Hong Kong	**(76,792)**	122,242
Share of other comprehensive income of associates	**(271)**	435
Other comprehensive income for the year	**(77,020)**	138,787
Total comprehensive income for the year	**112,621**	422,405
Attributable to:		
Equity shareholders of the Company	**134,848**	404,405
Non-controlling interests	**(22,227)**	18,000
	112,621	422,405

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2014 HK$'000**	As at 31 December 2013 Restated HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**225,507**	242,424
Investment properties		**6,498,488**	1,765,795
Investment property under construction		**-**	3,162,809
Prepaid land lease payments		**98,019**	90,559
Construction in progress		**131,922**	127,770
Investments in associates		**16,281**	1,348,694
Biological assets		**107,659**	123,962
Available-for-sale financial assets		**71,417**	71,689
Other non-current assets		**15,638**	15,638
Prepayments and deposits		**18,851**	18,967
Goodwill		**3,171**	3,219
Total non-current assets		**7,186,953**	6,971,526
CURRENT ASSETS			
Inventories		**363,604**	405,875
Trade receivables	*8*	**416,047**	272,180
Prepayments, deposits and other receivables		**136,013**	132,877
Financial assets at fair value through profit or loss		**46,696**	65,271
Foreign exchange forward contracts		**1,011**	14,617
Amounts due from non-controlling shareholders of subsidiaries		**41,236**	41,999
Amounts due from affiliates		**110,765**	78,000
Loan receivable	*9*	**695,228**	-
Tax recoverable		**27,766**	20,459
Cash and bank balances		**319,898**	391,744
		2,158,264	1,423,022
Non-current assets classified as held for sale		**821,000**	449,069
Total current assets		**2,979,264**	1,872,091
CURRENT LIABILITIES			
Trade payables	*10*	**373,144**	353,155
Other payables and accruals		**468,017**	416,678
Interest-bearing bank borrowings		**2,038,507**	991,136
Foreign exchange forward contracts		**3,588**	-
Amounts due to non-controlling shareholders of subsidiaries		**937**	23,438
Amount due to an affiliate		**-**	4,553
Tax payable		**44,557**	36,334
Total current liabilities		**2,928,750**	1,825,294
NET CURRENT ASSETS		**50,514**	46,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,237,467**	7,018,323

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	**As at 31 December 2014 HK$'000**	As at 31 December 2013 Restated HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,314,135**	1,314,925
Advances from non-controlling shareholders of subsidiaries		**7,941**	33,047
Amount due to an associate		**-**	105,948
Other non-current liabilities		**78,174**	89,742
Deferred tax liabilities		**803,562**	810,854
Total non-current liabilities		**2,203,812**	2,354,516
Net assets		**5,033,655**	4,663,807
CAPITAL AND RESERVES			
Share capital	*11*	**95,655**	86,832
Reserves		**4,557,570**	4,093,219
Total equity attributable to equity shareholders of the Company		**4,653,225**	4,180,051
Non-controlling interests		**380,430**	483,756
Total equity		**5,033,655**	4,663,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Principal accounting policies and basis of preparation

The annual results set out in the announcement are extracted from the Group's statutory financial statements for the year ended 31 December 2014.

The accounting policies and basis of preparation adopted in the financial statements are consistent with those adopted in the Group's audited 2013 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 2014 as disclosed in the 2013 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 amendments to HKFRSs and one new Interpretation for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
HK(IFRIC) 21, *Levies*

The adoption of the above amendments to HKFRSs and Interpretation have 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.

2.1 Common control combination

On 24 April 2014, South China Financial Holdings Limited ("SCFH"), as vendor, entered into a deed with South China Industries (BVI) Limited ("SCI"), a direct wholly-owned subsidiary of the Company, as purchaser, whereby SCFH has agreed to sell and SCI has agreed to purchase the entire issued share capital of Intercourt Investments Limited ("Intercourt Investments") for HK$1 and the sale debt, being the amount of approximately HK$4,553,000 owed by Intercourt Investments to SCFH immediately before completion of the transaction pursuant to the abovementioned deed, for approximately HK$4,553,000 (the "Acquisition"). The Acquisition was completed on 24 April 2014. SCFH and the Company are ultimately controlled by the substantial shareholder of the Company. Details of the Acquisition were disclosed in the announcement of the Company dated 24 April 2014.

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 assumed 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 Intercourt Investments. The effect of such common control combination on the consolidated financial statements are summarised below:

Consolidated statement of financial position

	As at 31 December 2013 HK$'000
Increase in prepayments, deposits and other receivables and increase in total current assets	4,553
Increase in amount due to an affiliate and increase in total current liabilities	(4,553)
Change in net assets	-
Increase in contributed surplus	17
Decrease in retained profits	(17)
Change in total equity	-

For the financial effect of the above transaction on the consolidated statement of financial position as at 1 January 2013, except for there was an increase in amount due to an affiliate and increase in total current liabilities by HK$17,000, a decrease in retained profits by HK$10,000 and a decrease in non-controlling interests by HK$7,000, all other figures in the consolidated statement of financial position as at 1 January 2013 remained unchanged. In view of the above, the financial effect on the common control combination transaction was not material to the Group's results, no restatement of the consolidated statement of financial position as at 1 January 2013 was presented.

3. Revenue and segmental information

Revenue, which is also the Group's turnover, 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.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, shoes and footwear products and leather products;

(b) the property investment and development segment is engaged in property investment and development;

(c) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural products; and

(d) the investment holding segment comprises, principally, the Group's investment holding related management functions.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that share of profits and losses of associates, impairment of advances to an associate and finance costs are excluded from such measurement.

Business Segment

The following table presents revenue and profit for the Group's business segments for the years ended 31 December 2014 and 2013.

	Trading and manufacturing		*Property investment and development*		*Agriculture and forestry*		*Investment holding*		*Group*	
	2014	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*	*2014*	*2013*
	HK$'000	HK$'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000	HK $'000
Segment revenue										
External sales	3,014,883	2,894,435	128,955	101,563	15,951	17,520	-	-	3,159,789	3,013,518
Segment results	39,568	66,117	261,365	184,213	(87,441)	(77,383)	(73,129)	(59,357)	140,363	113,590
Reconciliation:										
– Share of profits and losses of associates	1,471	126	174,787	254,779	-	-	-	-	176,258	254,905
– Impairment of advances to an associate	(22)	(60)	-	-	-	-	-	-	(22)	(60)
– Finance costs									(94,298)	(51,336)
Profit before tax									222,301	317,099

Geographical segments

Revenue from external customers

	2014	2013
	HK$'000	HK$'000
The People's Republic of China ("PRC"), including Hong Kong and Macau	**359,798**	256,109
The United States of America	**1,731,995**	1,633,644
Europe	**557,490**	579,968
Japan	**32,071**	60,811
Others	**478,435**	482,986
	3,159,789	3,013,518

The revenue information above is based on the destination to which goods and services are delivered.

4. 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 2014 amount to approximately HK$46,694,000 (2013: HK$44,842,000) and HK$33,463,000 (2013: HK$23,657,000), respectively.

5. Income tax

Income tax comprises current and deferred tax.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective countries/jurisdictions 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.

6. Earnings per share

The calculation of the basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$198,903,000 (2013: HK$285,604,000) and the weighted average number of ordinary shares 2,947,427,000 (2013: 2,948,920,000) in issue less shares held for the share award scheme during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2014	2013
	HK$'000	HK$'000
Earnings		
Profit attributable to equity shareholders of the Company use in the basic and diluted earnings per share calculation	**198,903**	285,604

	Number of shares	
	2014	2013
	'000	'000
Shares		
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	**2,947,427**	2,948,920
Effect of redeemable convertible preference shares	**1,674,457**	1,488,027
Effect of shares held for the share award scheme	**41,210**	39,716
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,663,094**	4,476,663

The Company's share options have no dilution effect for the years ended 31 December 2014 and 2013 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

7. Dividends

No interim dividend was paid during the year (2013: Nil). The Board does not recommend the payment of any final dividend for the year (2013 : Nil).

8. Trade receivables

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from one to three months depending on a number of factors including trade practice, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by the senior management.

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

	2014 **HK$'000**	2013 HK$'000
Within 90 days	**378,918**	260,052
91 to 180 days	**19,398**	4,258
181 to 365 days	**12,365**	1,959
Over 365 days	**5,366**	5,911
	416,047	272,180

9. Loan receivable

On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL"), whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited (the "Sale Shares") at a consideration of HK$600 million subject to the adjustment for 40% of the shortfall in unaudited net assets value of Elite Empire Investments Limited and its subsidiaries (collectively the "Elite Empire Group") as at the completion date as referred to in the announcement and circular of the Company dated 18 February 2014 and 19 March 2014, respectively. As disclosed in the announcement of the Company dated 3 July 2014, such adjustment, which was paid by the Vendor to the Purchaser in cash on 30 June 2014, amounted to approximately HK$8.8 million. Hence, the consideration after the abovementioned adjustment amounted to approximately HK$591.2 million.

Under the Agreement, the Purchaser and the Vendor shall enter into the put and call options agreement (the "Options Agreement") whereby the Purchaser shall grant to the Vendor a call option to give the Vendor the right to require the Purchaser to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at a fixed sum of HK$700 million (the "Exercise Price") during the period of 15 months commencing on the 1st day of the 10th month from the date of completion of the transactions pursuant to the Agreement (the "Completion") and expiring on the last day of the 24th month from the Completion date, both days inclusive (the "Option Exercisable Period") and the Vendor shall grant to the Purchaser a put option to give the Purchaser the right to require the Vendor to buyback all (but not part) of the Sale Shares from the Purchaser, subject to the terms and conditions of the Options Agreement, at the Exercise Price during the Option Exercisable Period.

Under the Agreement, the Purchaser shall procure the Company and the Vendor shall procure SCL to execute a deed of undertaking whereby the Company undertakes to grant guarantee(s) not exceeding HK$500 million or an equivalent amount in US dollar or Renminbi in aggregate in favour of the prospective lenders of any member of the Elite Empire Group for any loan with a term not exceeding three years at the request of Elite Empire Investments Limited after Completion subject to the terms and conditions of the Agreement and the said deed of undertaking and SCL shall indemnify the Company against 60% of all guaranteed sum together with the full amount of all costs and expenses incurred in (a) defense against or settlement of any claim lodged with the Company under such guarantee(s) and (b) recovery of the said guarantee sum and the costs referred to in (a) above. This guarantee has been expired after six months from the date of the Group's independent shareholders' approval of the transaction.

The abovementioned transactions were completed on 11 April 2014. According to the accounting treatment as detailed in the circular of the Company dated 19 March 2014, the Group has recognised the acquisition of the Sale Shares, the grant of the call option by the Purchaser to the Vendor and the grant of the put option by the Vendor to the Purchaser at the same Exercise Price, which is a fixed sum, and with the same Option Exercisable Period under the Agreement collectively (the "Resulting Investment") as a debt instrument, i.e. a loan receivable, in view of, among others, the following:

(a) Under the Agreement, the Purchaser is only entitled to appoint directors to the boards of the members of the Elite Empire Group after (i) the occurrence of any intervening event as detailed in the circular of the Company dated 19 March 2014 or (ii) the lapse of the put option and the call option. Furthermore, the Purchaser has agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the Option Exercisable Period provided that there is no breach of the Agreement and the Elite Empire Group is not engaged in any business other than the property development project as defined in the said circular; and

(b) The put option and the call option with fixed Exercise Price render the Purchaser's present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the put option and the call option with the same Option Exercisable Period and the same Exercise Price resembles a forward contract whereby the Purchaser is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the Exercise Price on the maturity date of such forward contract.

As detailed in the circular of the Company dated 19 March 2014, as the Resulting Investment is recognised as a debt instrument, the put option and the call option are not recognised separately.

Accordingly, upon Completion, the Group has recognised the loan receivable in respect of the said debt instrument at the consideration incurred. Such loan receivable is subsequently measured at amortised cost using the effective interest rate method. Finance income derived from the effective interest rate amortisation for the period from the day immediately after the Completion to the day immediately before the commencement date of the Option Exercisable Period is recognised in the consolidated statement of profit or loss of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which will stand at the balance of HK$700 million immediately before the commencement of the Option Exercisable Period. The finance income so recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2014 amounted to approximately HK$104.0 million.

10. Trade payables

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

	2014 **HK$'000**	2013 HK$'000
Within 90 days	**269,151**	267,461
91 to 180 days	**49,358**	33,017
181 to 365 days	**8,081**	5,731
Over 365 days	**46,554**	46,946
	373,144	353,155

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

11. Share capital

	2014	2013
	HK$'000	HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.02 each	**100,000**	100,000
2,000,000,000 redeemable convertible preference shares of HK$0.02 each	**40,000**	40,000
Total authorised capital	**140,000**	140,000
Issued and fully paid:		
2,988,636,863 (2013: 2,988,636,863) ordinary shares of HK$0.02 each	**59,773**	59,773
1,794,118,996 (2013: 1,352,942,526) redeemable convertible preference shares of HK$0.02 each	**35,882**	27,059
Total issued and fully paid capital	**95,655**	86,832

The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders 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.

Movements of issued capital were as follows:

	Issued ordinary shares HK$'000	Issued redeemable convertible preference shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2013	59,773	-	6,724	66,497
1,770,710,526 redeemable convertible preference shares issued during the year	-	35,414	973,891	1,009,305
417,768,000 redeemable convertible preference shares redeemed during the year	-	(8,355)	(229,773)	(238,128)
At 31 December 2013 and at 1 January 2014	**59,773**	**27,059**	**750,842**	**837,674**
441,176,470 redeemable convertible preference shares issued during the year	**-**	**8,823**	**291,177**	**300,000**
At 31 December 2014	**59,773**	**35,882**	**1,042,019**	**1,137,674**

12. Comparative amounts

Certain comparative amounts have been restated due to the application of AG 5 and to conform with the presentation of the current year.

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK$3.2 billion and profit after tax of HK$189.6 million for the year ended 31 December 2014, representing an increase of 4.9% and a decrease of 33.1%, respectively, from the corresponding amounts reported in 2013.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, namely Wah Shing Toys, Wah Shing Electronics and South China Shoes. The segment recorded a 4.2% increase in revenue to HK$3.0 billion and a 40.2% decrease in operating profit to HK$39.6 million for the year ended 31 December 2014.

During the year ended 31 December 2014, both the toys operations and the shoes operations reported an increase in revenue by 1.0% and 30.6%, respectively, along with the gradual recovery of the economy in the United States. The increase in revenue of the toys operations in the current year was mainly attributable to the increase in sales from new products from our major customers, while the revenue growth from South China Shoes was mainly attributable to increase in sales of branded products to our major customers.

Although Wah Shing Toys achieved record high revenue of HK$2.4 billion with an increment of 3.4% in current year, the profit margin percentage however had been slightly affected by increase in minimum wages in the mainland China and the rising production cost on factory overheads. In the second half of 2013, a new factory in Dongguan Hu Men Town started its operation to shift part of the production to some lower cost region in the mainland China. The production of the new factory has not reached its optimal level in the current year since it is still in its infant stage. In the previous year, the set up cost incurred in the new factory was partially mitigated by the effect of exchange gain in the forward contract.

On the other hand, although Wah Shing Electronics recorded a 24.5% decrease in revenue to HK$160.0 million in 2014, its operating loss reduced by 8.6% compared with 2013 as a result of the cost control in production.

South China Shoes recorded a 30.6% increase in revenue to HK$388.7 million in 2014. Despite the growth in sales volume, there was no significant improvement in the gross profit in dollar term for the reporting period as a result of increase in sales of branded products which had higher quality and workmanship requirements. Higher delivery cost was incurred in order to fulfill order delivery requirement due to production delay leading to an increase in operating loss as compared to the prior year.

Management is exercising various cost control measures to improve cost effectiveness while at the same time focusing on enlarging the customer base and product range from the revenue side. Together with the recovery of the economy of the United States, management believed that there will be rooms for further revenue growth and improvement in operating performance for the trading and manufacturing segment.

Property Investment and Development

The property investment and development segment recorded a 27.0% increase in revenue to HK$129.0 million in the current year. The operating profit increased 41.9% to HK$261.4 million for the year ended 31 December 2014 mainly due to increase in interest income generated from a loan receivable as detailed in note 9 to the consolidated financial statements.

The increase in rental income in the current year was mainly attributable to the units at The Centrium, a Grade A commercial building in Hong Kong, were transferred to the Group upon the distribution of the said properties in specie by an associate on 15 September 2014 (the "Distribution"). Details of the Distribution have been disclosed in the announcement of the Company dated 15 September 2014. These rental income, fair value gain from the investment properties and related expenses were taken up directly by the Group instead of being reflected in the share of results and losses from associates after the Distribution. The overall rental income from the Group's investment property portfolio other than the amount attributable to the units at The Centrium, recorded a moderate growth in current year.

The overall fair value gain on investment properties (including the investment property under construction) and investment properties held for sale which included the effect of the fair value gain from the Centrium after we took up the units in September 2014, remained at a similar level as compared with the previous year.

In the second half of the year, we have completed the construction and upgrading renovation work for The Avenue of Stars, a shopping mall located in the prime district in Shenyang. Currently our leasing team is in the tenant recruiting and repositioning stage to reposition the shopping mall to a chic and iconic spot in Shenyang. Finance costs incurred in the borrowings to finance the construction of the shopping mall ceased to capitalize upon completion of the construction, and the selling and administrative expenses in relation to the shopping mall increased along with the preparation cost for the shopping mall.

In April 2014, the Group acquired the 40% issued share capital in Elite Empire Investments Limited ("Elite Empire"), which indirectly holds the development rights in the Dadong District (大東區) property development project and the land use rights in the Southern lot thereof in Shenyang. As detailed in note 9, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Interest income on the said loan receivable recognized in the current year amounted to HK$104.0 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 strategically continued our effort in expanding the sites areas of our farmland and woodland gradually. During the year ended 31 December 2014, the Group entered into new leases for approximately 17,000 mu of farmland and woodland in Tianjin and Wuhan.

Revenue from the agriculture and forestry segment decreased by 9.0% to HK$16.0 million in 2014 as compared with the corresponding period in 2013. Operating loss before fair value loss on biological assets increased by HK$16.5 million from HK$62.5 million in 2013 to HK$79.0 million in 2014.

During the year, there was an increase in the surrender of land upon land expropriation by the local governments in Xian and Shenyang and an increase in loss from disposal of biological assets due to surrender of land to HK$8.8 million. The Group recorded a 23.0% decrease in write-off of biological assets to HK$ 18.7 million in 2014. Although the write-off of biological assets due to losses identified in physical count decreased in the current year, the Group vacated certain area at Hebei temporarily in preparation for a change in the plantation plan currently under study. As such, the biological assets on the relevant area were written off. Also, the amortization of prepaid land lease payments attributable to such area was recognized as periodic expense since then. The accrual for the compensation payment to the existing occupants in relation to a land lease newly signed in the current period also resulted in an increase in operating expenses during the year. Operation loss before fair value loss on biological assets increased to HK$79.0 million in 2014 as a result of the above effects.

In addition to the write-off and disposal of biological assets as referred to in the preceding paragraph, a fair value loss of HK$ 8.5 million was recognised in 2014 as the current year additions to biological assets did not generate a proportionate increase in fair value of the same. The said fair value loss mainly reflects a general decrease in i) the expected future output of the key species, except for apple, and ii) the gross margin percentage which were partially mitigated by the decrease in discount rate, which was determined with reference to the available data. As such, the biological assets balance decreased by 13.2% from HK$124.0 million as at 31 December 2013 to HK$107.7 million as at 31 December 2014. In terms of Renminbi, the biological assets decreased by approximately 11.2% given the lower Renminbi exchange rate as at the current reporting period end date.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a current ratio of 1.0 and a gearing ratio of 26.1% (31 December 2013: 1.0 and 28.2%, respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$1.3 billion to the Group's equity of HK$5.0 billion. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiary or associated company save as the followings:

On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL"), to acquire 40% of the issued share capital of Elite Empire Investments Limited ("Elite Empire"), which holds the indirect interest in the development rights in Dadong District (大東區) property development project and the land use rights in the Southern lot thereof through a subsidiary, at a consideration of HK$591.2 million after adjustment for the 40% of the shortfall in unaudited net assets value of Elite Empire and its subsidiaries ("Elite Empire Group") as at the completion date according to the Agreement as disclosed in the announcement of the Company dated 3 July 2014 (refer to note 9 for details). As detailed in note 9, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Further details about the abovementioned transaction have been set out in the Company's announcements dated 18 February 2014, 17 April 2014 and 3 July 2014 and circular dated 19 March 2014.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

The 40% of the issued share capital of Elite Empire, as detailed in the section headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" in the above, was pledged with a bank for certain banking facilities made available to the Group.

On 15 September 2014, a 30% associate held by an indirect wholly-owned subsidiary of the Company has resolved to voluntarily liquidate. In connection with the voluntary liquidation, the associate has distributed its properties to the joint venture partners in proportion to its shareholding. Details of the transaction have been set out in the Company's announcement dated 15 September 2014. The Distribution was completed on 15 September 2014 and the Group's pro-rata share of guarantee given to a bank in connection with banking facilities granted to the associate was released on 15 September 2014. Upon Distribution, the issued share capital of an indirect wholly-owned subsidiary of the Company and some of the properties held by it have been pledged with that bank for certain banking facilities made available to the Group on 15 September 2014.

On 25 July 2014, an indirect wholly-owned subsidiary of the Company entered into the Equity Transfer Agreement (the "Agreement") with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) for the acquisition of all the minority stakes in certain subsidiaries in Nanjing (the "Target Subsidiaries"). Under the Agreement, certain assets (property, cash, etc.) pledged to secure the performance of the respective Target Subsidiaries' obligations in respect of the employees resettlement reserve funds (職工安置備用金) are required for the completion of the transaction. Under the local government policy, companies transformed from state-owned enterprise shall pledge their assets to secure the performance of their obligations in respect of the employees resettlement reserve funds. Further details about the abovementioned transaction have been set out in the Company's announcements dated 18 July 2014 and 28 July 2014. The abovementioned transaction has been completed on 31 December 2014. Save as aforesaid, there was no material change in the Group's pledge of assets and contingent liabilities.

PROSPECTS

Trading and Manufacturing

Riding on the gradual economic recovery in the United States, management holds a positive view on the revenue growth in 2015.

The Group will continue its effort to expand its product range, enlarge its customer base, negotiate with customers in product pricing with a view to reflecting the current cost structure, while at the same time continue to be cost conscious in improving operation efficiency and hence profits. The new factory in Dongguan Hu Men since its commencement in operation in the second half of 2013 will take up more sales orders and more production will be shifted from the higher cost region to this new plant. Management expects operation efficiency will improve after its initial set up stage. With all the above measures, the Group is cautiously optimistic about the performance of the trading and manufacturing of toys segment.

For the shoes division, improvement in sales side had been achieved as a result of the expansion of the sales team during the year. Management will continue its effort on the cost improvement side so as to improve the bottom line.

Property Investment and Development

The Group has a property portfolio with total floor area of approximately 560,000 square metres in Mainland China and 298,000 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. In the mainland China, the Group's principal investment properties are located at the prime locations in Nanjing and Shenyang.

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 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.

During the year, the Group acquired the remaining minority stakes of the non-wholly owned subsidiaries in Nanjing. Details of the transactions have been disclosed in the announcement of the Company dated 28 July 2014. With the completion of the acquisition of all the remaining minority interests in the Nanjing subsidiaries in December 2014, the Group now enjoys the benefits of full control of the Nanjing subsidiaries. In the long run, this will enhance flexibility in decisions about future development and to enjoy the benefits therefrom in full. The Group also sees the hidden strength and value of the site as a large-scale shopping mall should a redevelopment plan is agreed with the local government.

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.

Going forward, with the completion of the revamp of the Avenue of Stars, management believed the shopping mall operations will be one of the Group's key sources of rental income in China in future and together with the Group's existing investment portfolio in Nanjing and Tianjin, all these will provide a stable cash inflow to the Group in the long run.

Meanwhile, the Group will continue to unload its non-core investment properties in Hong Kong in order to reallocate more resources to our businesses in Mainland China.

Agriculture and Forestry

The Group currently has long-term leases of approximately 555,000 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.

SUPPLEMENTAL INFORMATION ON BIOLOGICAL ASSETS FOR THE YEAR ENDED 31 DECEMBER 2013

On 28 March 2014, the Hong Kong Exchanges and Clearing Limited (the "Exchange") published the report "Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance Report 2013" (the "Review Report"). In the Review Report, the Exchange recommended the issuers to provide additional information about agricultural activities, biological assets and the valuations thereof in the annual report. In view of the said recommendations, we set out below the recommended disclosures for last year, which were not covered in the annual report for the year ended 31 December 2013, for better understanding of the prior year conditions and enhancing for comparability of the current year disclosure with relevant prior year information. Such supplementary information should be read in conjunction with the annual report for the year ended 31 December 2013.

(i) the relevant qualifications, experience and independence of the valuer, and how the directors are satisfied that the valuer is independent and competent to determine the fair value of biological assets

BMI Appraisals Limited ("BMI"), the valuer engaged to provide the valuation of the biological assets of the Group as at 31 December 2013, is a professional firm providing a wide spectrum of valuation services with extensive experience in valuation of various assets and business interests, including biological assets. It has prior experience in valuation of biological assets such as fruit tree plantation, tea tree plantation, rubber tree plantation, jatropha plantation and forestry assets. The service team of BMI comprises members of the Royal Institution of Chartered Surveyors ("MRICS"), the American Institute of Certified Public Accountants ("AICPA") and the Institute of Public Accountants ("MIPA"), as well as charterholders of Chartered Financial Analyst ("CFA") and Financial Risk Manager ("FRM").

BMI has confirmed that (i) it has no present or prospective interest in the Company or the biological assets subject to the valuation, (ii) its directors and employees are independent of and not connected with any director, chief executive or substantial shareholders of the Company or their respective associates, and (iii) it has relevant qualifications and experience in biological asset valuation assignments.

In view of the above, the directors were satisfied that BMI is independent and competent to determine the fair values of the biological assets.

(ii) the bases and reasons of adopting the income approach in valuing the biological assets

In the absence of an active market in the regions where the Company's biological assets are located, no market price information was available to adopt the market approach. Accordingly, BMI has adopted an income approach to value the biological assets.

(iii) the assumptions used in the valuation techniques

The assumptions were adopted in the valuation:

- The fruit trees will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives;
- There will be no material change in the political, legal, fiscal, technological, market and economic conditions in the jurisdiction where the biological assets are exposed to;
- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;
- The core operation of the biological assets will not differ materially from those of present or expected;
- The financial statements and physical count information in respect of the biological assets have been prepared after due and careful considerations by the senior management of the Company; and
- There will be no human disruptions or natural disasters that will materially affect the operation of the biological assets.

(iv) Commentary on material fluctuation of biological assets during the financial year and fair value loss on biological assets

The commentary on material fluctuation of biological assets with reference to the balances as at 31 December 2013 and 31 December 2012 is as follows:

The quantity of trees decreased 15.0% to 2,835,000 as at 31 December 2013. This is broadly in line with the 13.3% decrease in the fair value of biological assets as at the reporting period end date from 2012 to 2013 in Renminbi term which was re-translated to a 10.0% decrease to approximately HK$124.0 million as at 31 December 2013 given the appreciation of Renminbi in 2013. Although there were increases in market prices of the output of certain species in 2013, they were counteracted by the decrease in market prices of some other species, the increase in discount rate and decrease in estimated profit margin determined with reference to the market comparables in the current reporting period. The decrease in quantity of trees was mainly due to the damage caused by the adverse weather conditions to the various plantations and losses identified in the physical counts, which resulted in a write-off of approximately HK$24.2 million in total, and the surrender of land upon land expropriation by the local governments, which resulted in disposal of biological assets of approximately HK$6.9 million in total. The Group recognized a fair loss on biological assets in 2013 as the additions to biological assets did not generate a proportional increase in fair value of the same.

(v) sensitivity analysis on changes in material inputs used in the valuation techniques, including the discount rate and key assumptions and variables

The sensitivity analysis on changes in material inputs used in the valuation technique is as follows:

Significant input	Increase / (decrease) in significant input %	Increase / (decrease) in fair value of biological assets HK$'000
Discount rate	10 (10)	(17,649) 21,870
Expected long term growth rate	10 (10)	2,174 (2,046)
Expected life	10 (10)	2,558 (4,093)
Expected maximum yield per mu	10 (10)	12,278 (12,278)

(vi) the work done to verify the physical existence and quality of the biological assets in and the coverage and sampling basis of on-site inspections

The Group has performed physical counts, which covered all except for certain small scale plantations representing approximately 2% of the biological assets as carried in the consolidated statement of financial position as at 31 December 2013, for its plantations in the various regions to verify the physical existence and ascertain the conditions of the biological assets.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: 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 2014 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

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

During the year ended 31 December 2014, the trustee of the Company's employees' share award scheme purchased a total of 608,000 shares of the Company at an aggregate consideration of approximately HK$429,000 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.

CHANGE OF INFORMATION IN RESPECT OF DIRECTOR

The total remuneration of Mr. Richard Howard Gorges, an Executive Director of the Company, for the year ended 31 December 2014 amounting to HK$1,270,000 (comprising of director's fees of HK$10,000, salaries of HK$1,200,000 and pension scheme contribution of HK$60,000). From 1 May 2014, Mr. Gorges has been entitled to an annual salary of HK$1,800,000, in addition to director's fees at HK$10,000 per annum. He is entitled to the Company's contribution in full on the part of the Company under the pension scheme, as his reckonable years of services with his former employer were counted as his reckonable years of services with the Company. Mr. Gorges' salary was determined by reference to his duties, experience and involvement, and the recognition of his long service rendered to the Group. Due to an inadvertent oversight, such a change of director's remuneration was not included in the Company's Interim Report for the six months ended 30 June 2014 as required under Rule 13.51B(1) of the Listing Rules.

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. and a Non-executive Director, namely Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2014 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, 30 March 2015

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 and Mr. David Michael Norman as non-executive directors; 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.