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SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

GROUP RESULTS

The board of directors (the "Board") of South China Holdings Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2015** **HK$'000**	2014 HK$'000 (Restated)
Revenue	*3*	**3,406,501**	3,159,789
Cost of sales		**(2,902,444)**	(2,775,914)
Gross profit		**504,057**	383,875
Other income and gains, net		**27,323**	138,650
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		**390,089**	133,348
Fair value gain/(loss) on financial assets at fair value through profit or loss		**3,642**	(4,840)
Fair value loss on foreign exchange forward contracts		**(2,749)**	(1,158)
Selling and distribution expenses		**(73,395)**	(77,646)
Administrative expenses		**(505,901)**	(438,862)
Equity-settled share award expense		**(7,514)**	(2,127)
Profit from operations	*3*	**335,552**	131,240

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

	Note	**2015** **HK$'000**	2014 HK$'000 (Restated)
Finance costs		**(117,163)**	(94,298)
Share of profits and losses of associates		**18,879**	176,258
Reversal of impairment/(impairment) of advances to associates, net		**427**	(22)
Profit before tax		**237,695**	213,178
Income tax	*5*	**(86,040)**	(32,660)
Profit for the year		**151,655**	180,518
Attributable to:			
Equity shareholders of the Company		**156,749**	189,780
Non-controlling interests		**(5,094)**	(9,262)
		151,655	180,518
Earnings per share	*6*		
Basic		**HK 2.7cents**	HK 3.2 cents
Diluted		**HK 1.6 cents**	HK 2.0 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

	2015	2014
	HK$'000	HK$'000
		(Restated)
Profit for the year	**151,655**	180,518
Other comprehensive income (after tax and reclassification adjustments):		
Item 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:		
- Net changes in fair value	**2,602**	(272)
- Reclassification adjustment for impairment loss transferred to profit or loss	**60**	-
	2,662	(272)
Exchange differences on translation of operations outside Hong Kong	**(188,528)**	(76,870)
Share of other comprehensive income of associates	**(519)**	(271)
Other comprehensive income for the year	**(186,385)**	(77,098)
Total comprehensive income for the year	**(34,730)**	103,420
Attributable to:		
Equity shareholders of the Company	**(7,179)**	125,647
Non-controlling interests	**(27,551)**	(22,227)
	(34,730)	103,420

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 (Restated) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**198,941**	225,507
Investment properties		**6,598,018**	6,498,488
Prepaid land lease payments		**85,814**	98,019
Construction in progress		**127,907**	131,922
Investments in associates		**15,985**	16,281
Bearer plants		**89,981**	98,458
Available-for-sale financial assets		**74,018**	71,417
Prepayments and deposits		**18,623**	18,851
Goodwill		**3,041**	3,171
Other non-current assets		**15,638**	15,638
Total non-current assets		**7,227,966**	7,177,752
CURRENT ASSETS			
Inventories		**341,995**	363,604
Properties under development		**1,044,074**	-
Trade receivables	*8*	**380,506**	416,047
Prepayments, deposits and other receivables		**802,163**	136,013
Financial assets at fair value through profit or loss		**50,476**	46,696
Foreign exchange forward contracts		**-**	1,011
Amounts due from non-controlling shareholders of subsidiaries		**56,650**	41,236
Amounts due from affiliates		**104,277**	110,765
Loan receivable	*9*	**-**	695,228
Tax recoverable		**41,690**	27,766
Cash and bank balances		**486,422**	319,898
		3,308,253	2,158,264
Non-current assets classified as held for sale		**904,000**	821,000
Total current assets		**4,212,253**	2,979,264
CURRENT LIABILITIES			
Trade payables	*10*	**346,840**	373,144
Other payables and accruals		**594,004**	468,017
Interest-bearing bank borrowings		**1,959,204**	2,038,507
Foreign exchange forward contracts		**55,714**	3,588
Amounts due to non-controlling shareholders of subsidiaries		**932**	937
Tax payable		**51,744**	44,557
Total current liabilities		**3,008,438**	2,928,750
NET CURRENT ASSETS		**1,203,815**	50,514
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,431,781**	7,228,266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at 31 December 2015 HK$'000	As at 31 December 2014 (Restated) HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,740,880**	1,314,135
Advances from non-controlling shareholders of subsidiaries		**7,941**	7,941
Other non-current liabilities		**74,458**	78,174
Deferred tax liabilities		**832,001**	803,562
Total non-current liabilities		**2,655,280**	2,203,812
Net assets		**5,776,501**	5,024,454
CAPITAL AND RESERVES			
Share capital	*11*	**114,488**	95,655
Reserves		**5,304,746**	4,548,369
Total equity attributable to equity shareholders of the Company		**5,419,234**	4,644,024
Non-controlling interests		**357,267**	380,430
Total equity		**5,776,501**	5,024,454

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Principal accounting policies and basis of preparation

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the financial statements are consistent with those adopted in the Group's audited 2014 annual financial statements except for changes in accounting policies as a result of the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as set out in note 2.

2. Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants*, which the Group has early adopted in the current financial period. Impacts of the early adoption of such amendments are discussed below:

Early adoption of the Amendments to HKAS 16 and HKAS 41, Agriculture: Bearer Plants
In prior years, the Group's biological assets were measured at fair value less costs to sell. Under the Amendments to HKAS 16 and HKAS 41, bearer plants, being living plants which are used in the production or supply of agricultural produce, and which have a remote likelihood of being sold as agricultural produce (except for incremental scrap sales), are now in the scope of HKAS 16, *Property, plant and equipment* instead of HKAS 41, *Agriculture*. As a result of the early adoption of such Amendments, the Group has changed its accounting policy for bearer plants, which are now measured at cost less accumulated depreciation and impairment losses. The produce growing on bearer plants continue to be accounted for under HKAS 41 and are measured at fair value less costs to sell. The change in accounting policy has been adopted retrospectively, except that, in accordance with the transitional provisions of the Amendments, the Group has elected to measure the bearer plants at their fair value at the beginning of the earliest period presented (1 January 2014). As a result, the early adoption of such Amendments has no material impact on the financial position of the Group as at 1 January 2014 and no restated consolidated statement of financial position at 1 January 2014 is presented.

2. **Changes in accounting policies (Continued)**

Effect of the early adoption of the Amendments to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014:

	As previously reported HK$'000	*Effect of the early adoption of the Amendments to HKAS 16 and HKAS 41* HK$'000	*As Restated* HK$'000
Other income and gains, net			
- Fair value loss on biological assets	(8,489)*	8,489	-
- Write-off of biological assets – bearer plants	(18,656)*	11,164	(7,492)
- Other items	144,868	1,274	146,142
	117,723	20,927	138,650
Administrative expenses	(408,812)	(30,050)	(438,862)
Profit for the year	189,641	(9,123)	180,518
Profit attributable to equity shareholders of the Company	198,903	(9,123)	189,780
Other comprehensive income:			
Exchange differences on translation of operations outside Hong Kong	(76,792)	(78)	(76,870)
Total comprehensive income attributable to equity shareholders of the Company	134,848	(9,201)	125,647
Earnings per share - Basic	HK3.4 cents**	(HK0.2 cents)	HK3.2 cents
Earnings per share - Diluted	HK2.2 cents**	(HK0.2 cents)	HK2.0 cents

* Fair value loss on biological assets and write-off of biological assets previously reported as separate line items in the consolidated statement of profit or loss were reclassified to other income and gains, net in 2015.

** As adjusted as if the Company's share sub-division as set out in note 11 had been effective as at 1 January 2014.

2. **Changes in accounting policies (Continued)**

Effect of the early adoption of the Amendments to the consolidated statement of financial position as at 31 December 2014:

	As previously reported HK$'000	*Effect of the early adoption of the Amendments to HKAS 16 and HKAS 41* HK$'000	*As Restated* HK$'000
Biological assets – bearer plants	107,659	(9,201)	98,458
Reserves	4,557,570	(9,201)	4,548,369
Total equity attributable to equity shareholders of the Company	4,653,225	(9,201)	4,644,024

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.

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, 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 associates (and reversals thereof) and finance costs are excluded from such measurement.

3. Revenue and segmental information (Continued)

Business segment

The following tables present revenue and profit for the Group's business segments for the years ended 31 December 2015 and 2014.

	Trading and manufacturing		*Property investment and development*		*Agriculture and forestry*		*Investment holding*		*Group*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*	*2015*	*2014*
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue						(Restated)				(Restated)
External sales	3,208,626	3,014,883	180,247	128,955	17,628	15,951	-	-	3,406,501	3,159,789
Segment results	92,486	39,568	456,315	261,365	(72,711)	(96,564)	(140,538)	(73,129)	335,552	131,240
Reconciliation:										
– Share of profits and losses of associates	79	1,471	18,000	174,787	-	-	800	-	18,879	176,258
– Reversal of impairment/(impairment) of advances to associates, net	(8)	(22)	-	-	-	-	435	-	427	(22)
– Finance costs									(117,163)	(94,298)
Profit before tax									237,695	213,178

Geographical segments

Revenue from external customers

	2015	2014
	HK$'000	HK$'000
The People's Republic of China ("PRC"), including Hong Kong and Macau	**406,159**	359,798
The United States of America	**1,706,498**	1,731,995
Europe	**668,745**	557,490
Japan	**26,665**	32,071
Others	**598,434**	478,435
	3,406,501	3,159,789

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

4. Depreciation, amortisation and gain on disposal of an investment property

Depreciation in respect of the Group's property, plant and equipment and bearer plants and amortisation in respect of the Group's prepaid land lease payments for the year ended 31 December 2015 amounted to approximately HK$47,824,000 (2014 (restated): HK$52,239,000) and HK$47,509,000 (2014 (restated): HK$49,365,000), respectively.

The Group recorded a gain on disposal of an investment property amounted to HK$61,000 for the year ended 31 December 2015 (2014: nil).

5. Income tax

Income tax comprises current and deferred taxes.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the 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 $156,749,000 (2014 (restated): $189,780,000), and the weighted average number of ordinary shares of 5,897,771,000 (2014 (restated): 5,894,854,000) in issue less shares held for share award scheme during the year. The weighted average number of shares for the purpose of calculating earnings per share for the year ended 31 December 2014 has been restated as if the Company's share sub-division as set out in note 11 had been effective as at 1 January 2014.

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:

	2015	2014
	HK$'000	HK$'000
		(Restated)
Earnings		
Profit attributable to equity shareholders of the Company used in the basic and diluted earnings per share calculation	**156,749**	189,780

	Number of shares	
	2015	2014
	'000	'000
		(Restated)
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	**5,897,771**	5,894,854
Effect of redeemable convertible preference shares	**3,893,588**	3,348,914
Effect of shares held for share award scheme	**79,503**	82,420
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**9,870,862**	9,326,188

6. **Earnings per share (continued)**

The Company’s share options have no dilution effect for the years ended 31 December 2015 and 2014 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**

The Company had not declared or paid any dividend during the year (2014: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 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. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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:

	2015	2014
	HK$’000	HK$’000
Within 90 days	**306,895**	378,918
91 to 180 days	**52,639**	19,398
181 to 365 days	**11,365**	12,365
Over 365 days	**9,607**	5,366
	380,506	416,047

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”) (subsequently renamed as South China Assets Holdings Limited), 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

9. Loan receivable (Continued)

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) defence 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. As detailed in the circular of the Company dated 19 March 2014, the Group has recognised the amount paid pursuant to the Agreement 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.

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 profit or loss of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which stood at the balance of HK$700 million immediately before the commencement of the Option Exercisable Period. The finance income so recognised in profit or loss of the Group for the year ended 31 December 2015 amounted to approximately HK$4.8 million (2014: HK$104.0 million).

9. Loan receivable (Continued)

As detailed in the circular of the Company dated 4 September 2015, the Group exercised the put option to sell the 40% interest in Elite Empire Investments Limited back to the Vendor at HK$700 million. At the same time, the Group has entered into a sales and purchase agreement with the Vendor, pursuant to which, the Vendor conditionally agreed to dispose of the entire equity interest in Elite Empire Investments Limited to the Group. The transaction was completed on 7 October 2015 and the loan receivable was derecognised.

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:

	2015	2014
	HK$'000	HK$'000
Within 90 days	**224,973**	269,151
91 to 180 days	**53,636**	49,358
181 to 365 days	**13,923**	8,081
Over 365 days	**54,308**	46,554
	346,840	373,144

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

11. Share capital

	2015	2014
	HK$'000	HK$'000
Authorised:		
12,000,000,000 ordinary shares of HK$0.01 each (2014: 5,000,000,000 ordinary shares of HK$0.02 each) (notes i & ii)	**120,000**	100,000
3,000,000,000 redeemable convertible preference shares of HK$0.02 each (2014: 2,000,000,000 redeemable convertible preference shares of HK$0.02 each) (note ii)	**60,000**	40,000
Total authorised capital	**180,000**	140,000
Issued and fully paid:		
5,977,273,726 ordinary shares of HK$0.01 each (2014: 2,988,636,863 ordinary shares of HK$0.02 each) (note i)	**59,773**	59,773
2,735,802,127 (2014: 1,794,118,996) redeemable convertible preference shares of HK$0.02 each	**54,715**	35,882
Total issued and fully paid capital	**114,488**	95,655

Notes:

i) On 23 July 2015, an ordinary resolution approving the sub-division of each of the existing issued and unissued ordinary shares of HK$0.02 each in the share capital of the Company into two ordinary shares of HK$0.01 each was duly passed at the Extraordinary General Meeting and the share sub-division has become unconditional and effective on 24 July 2015 (the "Share Sub-division"). Details of the transactions were set out in the Company's announcements dated 25 June 2015 and 23 July 2015.

11. Share capital (Continued)

ii) On 30 September 2015, an ordinary resolution approving the increase in authorised ordinary shares and redeemable convertible preference shares by 2,000,000,000 ordinary shares of par value of HK$0.01 each and 1,000,000,000 convertible preference shares of par value of HK$0.02 each, respectively, were duly passed at the Extraordinary General Meeting. Details were set out in the Company's circular dated 4 September 2015 and the announcement dated 30 September 2015.

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 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 and at 1 January 2015	**59,773**	**35,882**	**1,042,019**	**1,137,674**
1,042,123,131 redeemable convertible preference shares issued during the year	**-**	**20,842**	**812,856**	**833,698**
100,440,000 redeemable convertible preference shares redeemed during the year	**-**	**(2,009)**	**(55,242)**	**(57,251)**
At 31 December 2015	**59,773**	**54,715**	**1,799,633**	**1,914,121**

11. Share capital (Continued)

Movements of number of issued shares are as follows:

	No. of issued ordinary shares	***No. of redeemable convertible preference shares***
	'000	'000
At 1 January 2014	**2,988,637**	1,352,943
Issued during the year	**-**	441,176
At 31 December 2014 and at 1 January 2015	**2,988,637**	1,794,119
Effect of Share Sub-division	**2,988,637**	-
Issued during the year	**-**	1,042,123
Redeemed during the year	**-**	(100,440)
At 31 December 2015	**5,977,274**	2,735,802

12. Comparative amounts

As explained in note 2, due to the early adoption of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer Plants* in the current year, certain comparative amounts have been restated to conform with the current year's presentation.

The financial figures in respect of Group's consolidated statement of financial position, consolidated statement of profit or loss, and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been compared by the Group'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

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$3.4 billion (2014: HK$3.2 billion) and profit for the year of HK$151.7 million (2014 (restated): HK$180.5 million), both being the financial key performance indicators, for the year ended 31 December 2015, representing an increase of 7.8% and a decrease of 16.0%, respectively, from the corresponding amounts reported in 2014. Earnings per share attributable to equity holders of the Company for the year was HK2.7 cents (2014 (restated): HK3.2 cents).

BUSINESS REVIEW

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

Trading and Manufacturing

The trading and manufacturing segment mainly comprises (i) OEM manufacturing of toys products, (ii) trading of footwear products and (iii) OEM manufacturing of footwear products. The segment recorded a 6.4% increase in revenue to HK$3.2 billion (2014: HK$3.0 billion) and a 133.7% increase in operating profit to HK$92.5 million (2014: HK$39.6 million) for the year ended 31 December 2015.

(i) OEM toys manufacturing

Despite a tepid 2.1% increase in US retail sales in 2015, the US toy industry experienced a 6.5% year on year increase due to pent up demand from previous years. This growth was strongly driven by a 14% increase in the Youth Electronic category which is a traditional area of strength of the Group. Riding on the favourable environment, the OEM toys operations achieved a record-breaking revenue of HK$2.8 billion, a 11% increase in revenue. The increase in revenue and over performance compared with the industry average was mainly attributable to the increase in sales from new successful models of existing customers. Three of our customer's products received "Toy of the Year 2016" recognition in different categories from the Toys Industry Association.

Despite the large increase in production, the Group managed to provide high quality on time delivery of products to our customers throughout the year and this is mainly attributable to the professionalism of our R&D and engineering department in providing continuous modifications and technological solutions.

Management placed a renewed focus on driving down wastage in the manufacturing process and cost control with an increased investment into R&D to provide the most efficient and low cost one stop solution for our clients especially within the field of high-tech toys.

(ii) Trading of footwear products

During the year ended 31 December 2015, revenue from the footwear trading operations decreased by 17.8% to HK$313.3 million. The decrease in revenue was mainly attributable to decrease in sales volume from customers. Despite a drop in sales volume, the gross margin percentage increased as a result of changes in supplier mix. Overall profit from operations remained stable as compared to that of 2014.

On 29 February 2016, the Company announced that it had submitted to the Stock Exchange a proposal of the proposed spin-off and separate listing of the Group's footwear trading business on the Growth Enterprise Market of the Stock Exchange (the "Proposed Spin-off") and the submission is under consideration by the Stock Exchange. The Company will make further announcement(s) in relation to any update on the proposal.

(iii) OEM manufacturing of footwear products

The Group has a factory for the manufacturing of OEM footwear products in Tianjin in which the Group owns an 80% interest. As the factory recorded losses in the past few years, the Group has decided to suspend its operation in September 2015. The Group is currently undergoing a feasibility study. The factory's production plan is still under consideration and is not yet finalised.

Property Investment and Development

During the year ended 31 December 2015, the revenue of the property investment and development segment increased by 39.8% to HK$180.2 million. The operating profit increased by 74.6% to HK456.3 million in the current year was mainly attributable to the combined effect of (a) the increase in rental income by HK$51.2 million, (b) the increase in fair value gain on investment properties by HK$256.7 million, and (c) offset by a decrease in interest income generated from a loan receivable by HK$99.2 million as detailed in note 9 to the Group's financial information.

The increase in rental income in the current year was mainly attributable to the full-year effect on the rental contribution from the units at The Centrium in Central, which were transferred to the Group upon the distribution of the property in specie by an associated company in September 2014, and also from the rental contribution from the Avenue of Stars, the shopping mall in Shenyang after the completion of major renovation work last year. The property has successfully become a fur themed shopping mall with most major fur brands having opened flagship duplex stores. It is envisioned that with further promotion and marketing that the Avenue of Stars may become the fur mall of Northern China. Our rental portfolios in Nanjing and Tianjin also reported an increase in rental income. The growth came primarily from the commercialisation of our Tianjin industrial property, while our Nanjing portfolio suffered a slowdown in year-on-year growth.

In addition to our existing rental portfolios in Nanjing, Shenyang and Tianjin, we extended upstream due to our first foray into property development on the mainland. By virtue of an acquisition procedure that started in 2014, and its subsequent completion in October 2015, we have the privilege to take part in the management of a large project in Shenyang that has already been in development for the past few years (Shenyang Dadong project). The project involves a total GFA of around 560,000 square metres and is a mixed use project located on the very eastern part of the pedestrian street known as Zhongjie (中街), in close proximity with the Avenue of Stars. In addition to property under development, the acquisition also included a 250,000 square metres land bank in Tianjin.

The overall fair value gain on investment properties and investment properties held for sale (excluding the effect of the fair value gain on the units at The Centrium before the distribution amounted to HK$154.2 million which was included in share of profits and losses of associates in last year) increased by HK$256.7 million to HK$390.1 million.

Agriculture and Forestry

As stated in note 2 to the Group's financial information, during the year ended 31 December 2015, the Group early adopted the Amendments to HKAS 16 and HKAS 41 where bearer plants, being living plants which are used in the production or supply of agricultural produce, and which have a remote likelihood of being sold as agricultural produce (except for incremental scrap sales), are now in the scope of HKAS 16 *Property, plant and equipment* instead of HKAS 41 *Agriculture.* As a result, the Group has changed the accounting policy for bearer plants, which are now measured at cost less accumulated depreciation and impairment losses. The produce growing on bearer plants continue to be accounted for under HKAS 41 and are measured at fair value less costs to sell.

The financial effect on the early adoption of the above amendments to the accounting standards resulted in a decrease in biological assets - bearer plants by HK$9.2 million as at 31 December 2014, and a decrease in profit for the year by HK$9.1 million and exchange differences on translation by HK$0.1 million for the year ended 31 December 2014.

Revenue from the agriculture and forestry segment increased by 10.5% to HK$17.6 million in 2015 as compared with the corresponding period in 2014. Operating loss decreased by HK$23.9 million from HK$96.6 million as restated in 2014 to HK$72.7 million in 2015.

In 2014, the Group recorded HK$8.3 million in loss on disposal of biological assets – bearer plants (after restatement) due to surrender of land upon land expropriation by the local governments in Xian and Shenyang and HK$7.5 million in write-off of biological assets – bearer plants (after restatement) due to losses identified in physical count at Hebei area. In the current year, there was no land surrender to the local governments and no material disposal of bearer plants. Although a drought in Hebei area led to a decrease in tree quantity of various species, the tree value was immaterial and no write-off of bearer plants was recorded in 2015.

Apart from the above, the reduction in administrative expense, which was mainly due to cost saving measures, improved the operating loss by HK$7.6 million.

The bearer plants balance decreased by 8.6% from HK$98.5 million as restated in 2014 to HK$90.0 million in 2015. In terms of Renminbi, the functional currency of the relevant subsidiaries, the bearer plants balance decreased by about 4.4%, as a result of the depreciation of Renminbi during the year. The decrease in bearer plants balance was primarily due to HK$4.8 million depreciation provided during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, the Group had a current ratio of 1.4 and a gearing ratio of 30.1% (31 December 2014: 1.0 and 26.1%, respectively). The gearing ratio is computed by dividing the Group's total long-term bank borrowings of HK$1.7 billion by the Group's equity of HK$5.8 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 an subsidiary or associated company save for the following:

On 16 June 2015, Perennial Success Limited ("Purchaser A") and Profit Runner Investments Limited ("Purchaser B"), each an indirect wholly-owned subsidiary of the Company, entered into a Sale Shares Agreement and a Sale Debts Agreement (the "Agreements") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Assets Holdings Limited (formerly known as South China Land Limited, "SCAH"), pursuant to which, among other terms, the Vendor conditionally agreed to dispose of and Purchaser A and Purchaser B conditionally agreed to acquire 100% of the issued share capital of Elite Empire Investments Limited ("Sale Share A"), 100% of the issued share capital of Bigwin Investments Limited ("Sale Share B"), and the total outstanding balances of all the loans made by the Vendor to Elite Empire Investments Limited and its subsidiaries ("Elite Empire Group") and Bigwin Investments Limited and its subsidiaries ("Bigwin Group"), immediately before the completion (respectively referred to "Sale Debt A" and "Sale Debt B") at the consideration of approximately HK$885.7 million and HK$740.9 million respectively. Elite Empire Group holds an indirect interest in the development rights in Dadong District (大東區) in Shenyang and Bigwin Group holds an indirect interest in a development site in Wuqing District in Tianjin. The consideration was satisfied by (i) applying the exercise price of the put option in the sum of HK$700 million payable by the Vendor to Purchaser A upon the exercise of such put option; (ii) cash payment in the sum of HK$92.85 million and (iii) as procured by Purchaser A and Purchaser B, the issue of the 2015 Convertible Preference Shares by the Company to the Vendor or its nominee(s) for the remaining balance. As disclosed in the announcement of the Company dated 1 February 2016, the final adjusted consideration for the Sale Share A and Sale Share B amounted to approximately HK$856.9 million and the final adjusted consideration for the Sale Debt A and Sale Debt B amounted to approximately HK$740.8 million.

Also as contemplated under the Agreements, the Company and SCAH had entered into a deed of undertaking whereby the Company shall, at the request of SCAH, grant guarantee(s) for which SCAH shall in return provide counter guarantees. The transaction was completed on 7 October 2015. Details of the abovementioned transaction have been set out in the announcements of the Company dated 16 June 2015, 4 September 2015, 7 October 2015 and 1 February 2016.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As mentioned in the section headed "Material Acquisitions and Disposals of Subsidiaries and Associated Companies" above, on 2 November 2015, the Company provided a guarantee in the amount of HK$15 million to a bank in respect of a loan facility granted to a subsidiary of SCAH. In return, SCAH also provided a counter guarantee in the amount of HK$15 million to the Company against the said guaranteed sum.

On 2 February 2015, a bank loan facility granted to the Company was fully refinanced by a new bank loan facility. The debenture, constituting a fixed and floating charge over all assets of certain subsidiaries of the Group in respect of the former bank loan facility, has been released and discharged. There is no such charge under the new bank loan facility.

Save as aforesaid, there was no material change in the Group's pledge of assets and contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

On 29 February 2016, the Company announced that it had submitted to the Stock Exchange a proposal for the proposed spin-off and separate listing of the Group's footwear trading business on the Growth Enterprise Market of the Stock Exchange. The Company will make further announcement(s) in relation to any update on the proposal.

PROSPECTS

Going forward, the coming year will be another challenging year given the dynamic changes in both the macroeconomic environment and the policy changes in China. On the brighter side, the global economy is undergoing steady recovery especially in the United States. Despite the challenges, management believes that there will still be growth opportunities for our businesses and projects in China in the long run. Management will continue to drive revenues while at the same time be cost conscious to generate returns and create value for our shareholders.

Trading and Manufacturing

OEM toys manufacturing

In view of the gradual economic recovery in the United States and the strengthening of the consumer market, management holds a positive view about the sustainability of the record high revenue in the coming year. The toy industry is expected to once again record a positive growth on the back of increasing sales from high-tech toys which we believe will be the key driver to the toy industry in the coming years.

The Group has traditionally invested heavily in the R&D and engineering department and will increase its capital investment into developing new technology and manufacturing advances to meet the increasingly complicated requirements of high-tech toys from our clients. Management will seek to setup research departments and collaborations with various academic institutions with China to further increase its competitiveness and expertise in this field.

Furthermore, the Group is looking to further expand its production capacity and has identified a few suitable existing plants. Negotiations are in process and management hopes to finalise terms and conditions within the first half of the year.

Property Investment and Development

PRC Property Development

The recent completion of the acquisition of our property development arm is a healthy consolidation as well as a cost efficient streamlining of our PRC property portfolios. Not only does it bring relevant property development management expertise to our existing landbanks in the prime locations of Nanjing and Tianjin, but it also gives us the opportunity to retain high value retail assets from our future property development endeavours.

Shenyang Dadong South provides us with approximately 170,000 square metres of saleable GFA, which is a mixed development comprising two residential towers, one serviced apartment tower, and a retail podium. The project is situated in the Zhongjie pedestrian commercial zone, a prime shopping area in Shenyang with a mix of trendy boutiques, department stores, shopping malls and hotels. Management is cautiously optimistic on the short term contributions from the project in light of recent relaxation of residential policies in the second tier cities of China and the various supporting tax and deduction of government fee policies that have lowered our investment cost.

Shenyang Dadong North provides us with another approximately 390,000 square metres of saleable GFA, which is directly opposite from the pedestrian street to the above. It is also a mixed development project, and the positioning will be thematically in line with the South, with a slightly higher class distinction.

Tianjin Wuqing Project provides us with a site area of 250,000 square metres and is currently under planning stage. It is situated between Beijing and Tianjin and we are cautiously optimistic to its future contributions in light of the recent development of the capital economic circle concept (京津冀首都经济圈).

Nanjing and Tianjin industrial land use conversion to commercial will continue to be our area of focus. The addition of the new property development team and track record will be a major contribution for us to fully benefit from successful future conversions.

Property Investments
The Group has a property investment 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 in Nanjing, Shenyang and Tianjin.

With the completion of the revamp of the Avenue of Stars, the management team is focusing on upgrading the tenant mix and thereby improving occupancy rates.

Nanjing rental portfolio is expected to remain stable, and further upside in Tianjin portfolio is expected as the existing commercialisation rate of industrial sites are still low.

Meanwhile, the Group will actively consider offloading non-core low-contribution investment properties in Hong Kong and the PRC in order to reallocate resources to more promising investment properties or land banks.

Agriculture and Forestry
The Group currently has long-term leases of over 500,000 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 focus on improving the sales distribution channels so as to improve the revenue and also the operating results of the segment.

Management will continue their effort in cost control and efficient resources utilisation with a view to containing costs.

PRINCIPAL RISKS AND UNCERTAINITIES

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

Risks relating to Trading and Manufacturing
Macroeconomic environment
The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to the end customers. The Group’s financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in less consumer disposable income and lower consumer confidence. These factors can reduce orders from our customers.

Cost increase

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability suits or product recalls, which could harm our business.

Risks relating to Property Investment and Development

Risks associated with the property market in Mainland China

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

Risks associated with the property market in Hong Kong

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions also have an effect on the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

Risks relating to Agriculture and Forestry

Risk associated with natural disasters or adverse weather conditions

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 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 throughout the year ended 31 December 2015 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 9 June 2015 since he had other business engagements, which deviated from code provision E.1.2.

Subsequent to the year ended 31 December 2015, Ms. Chan Sau Mui Juanna resigned as the company secretary of the Company with effect from 8 January 2016. Since then, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2015.

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 2015 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 Holdings Company Limited
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 15 March 2016

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, Mr. Ng Yuk Yeung Paul 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, Dr. Leung Tony Ka Tung, Ms. Li Yuen Yu Alice, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. as independent non-executive directors.