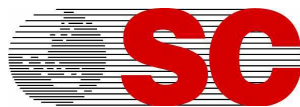


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## **SOUTH CHINA HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 265)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013**

#### **UNAUDITED INTERIM RESULTS**

The board of directors (the “Board”) of South China Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013 together with the relevant comparative figures as follows:

#### **CONDENSED CONSOLIDATED INCOME STATEMENT**

|                                                                                 |              | <b>Six months ended 30 June</b> |                     |
|---------------------------------------------------------------------------------|--------------|---------------------------------|---------------------|
|                                                                                 |              | <b>2013</b>                     | <b>2012</b>         |
|                                                                                 |              | <b>(Unaudited)</b>              | <b>(Unaudited)</b>  |
|                                                                                 | <i>Notes</i> | <b>HK\$'000</b>                 | <b>HK\$'000</b>     |
| <b>Revenue</b>                                                                  | 2            | <b>108,276</b>                  | 79,160              |
| Cost of sales                                                                   |              | <u><b>(47,179)</b></u>          | <u>(25,683)</u>     |
| Gross profit                                                                    |              | <b>61,097</b>                   | 53,477              |
| Other income                                                                    |              | <b>2,866</b>                    | 1,926               |
| Fair value gain/(loss) on financial assets at fair value through profit or loss |              | <b>4,900</b>                    | (778)               |
| Selling and distribution costs                                                  |              | <b>(4,016)</b>                  | (3,859)             |
| Administrative expenses                                                         |              | <b>(43,525)</b>                 | (41,202)            |
| Other operating expenses                                                        |              | <u><b>(1,210)</b></u>           | <u>(1,404)</u>      |
| <b>Profit from operations</b>                                                   | 2            | <b>20,112</b>                   | 8,160               |
| Finance costs                                                                   | 3            | <u><b>(2,704)</b></u>           | <u>(3,879)</u>      |
| <b>Profit before tax</b>                                                        | 4            | <b>17,408</b>                   | 4,281               |
| Income tax expense                                                              | 5            | <u><b>(3,549)</b></u>           | <u>(2,132)</u>      |
| <b>Profit for the period</b>                                                    |              | <u><u><b>13,859</b></u></u>     | <u><u>2,149</u></u> |

# CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

|                                                                                    |      | Six months ended 30 June |                   |
|------------------------------------------------------------------------------------|------|--------------------------|-------------------|
|                                                                                    |      | 2013                     | 2012              |
|                                                                                    |      | (Unaudited)              | (Unaudited)       |
|                                                                                    | Note | HK\$'000                 | HK\$'000          |
| Attributable to:                                                                   |      |                          |                   |
| - Owners of the Company                                                            |      | 14,146                   | 2,616             |
| - Non-controlling interests                                                        |      | <u>(287)</u>             | <u>(467)</u>      |
|                                                                                    |      | <u>13,859</u>            | <u>2,149</u>      |
| <b>Earnings per share attributable to the owners of the Company for the period</b> |      |                          |                   |
| Basic and diluted                                                                  | 6    | <u>HK0.8 cent</u>        | <u>HK0.1 cent</u> |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                                       | Six months ended 30 June |              |
|-----------------------------------------------------------------------|--------------------------|--------------|
|                                                                       | 2013                     | 2012         |
|                                                                       | (Unaudited)              | (Unaudited)  |
|                                                                       | HK\$'000                 | HK\$'000     |
| <b>Profit for the period</b>                                          | <b>13,859</b>            | <b>2,149</b> |
| <b>Other comprehensive income/(loss) for the period</b>               |                          |              |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |                          |              |
| Changes in fair value on available-for-sale financial assets          | 3,206                    | 7,695        |
| Exchange differences on translation of foreign operations             | 1,959                    | (1,653)      |
| <b>Other comprehensive income for the period</b>                      | <b>5,165</b>             | <b>6,042</b> |
| <b>Total comprehensive income for the period</b>                      | <b>19,024</b>            | <b>8,191</b> |
| Attributable to:                                                      |                          |              |
| - Owners of the Company                                               | 18,802                   | 8,903        |
| - Non-controlling interests                                           | 222                      | (712)        |
|                                                                       | <b>19,024</b>            | <b>8,191</b> |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                            |       | As at<br>30 June 2013<br>(Unaudited)<br>HK\$'000 | As at<br>31 December 2012<br>(Audited)<br>HK\$'000 |
|------------------------------------------------------------|-------|--------------------------------------------------|----------------------------------------------------|
|                                                            | Notes |                                                  |                                                    |
| <b>Non-current assets</b>                                  |       |                                                  |                                                    |
| Property, plant and equipment                              |       | 8,325                                            | 8,031                                              |
| Investment properties                                      |       | 38,600                                           | 38,600                                             |
| Available-for-sale financial assets                        |       | 47,916                                           | 44,710                                             |
| Other non-current assets                                   |       | 28,876                                           | 28,331                                             |
| Goodwill                                                   |       | 2,994                                            | 2,994                                              |
| Total non-current assets                                   |       | 126,711                                          | 122,666                                            |
| <b>Current assets</b>                                      |       |                                                  |                                                    |
| Inventories                                                |       | 32,598                                           | 30,038                                             |
| Trade and other receivables                                | 7     | 303,263                                          | 220,863                                            |
| Financial assets at fair value through profit or loss      |       | 34,493                                           | 30,098                                             |
| Advances to non-controlling shareholders of subsidiaries   |       | 1,842                                            | 1,775                                              |
| Pledged bank deposits                                      |       | 6,835                                            | 15,214                                             |
| Cash and cash equivalents                                  |       | 83,552                                           | 31,854                                             |
| Total current assets                                       |       | 462,583                                          | 329,842                                            |
| <b>Current liabilities</b>                                 |       |                                                  |                                                    |
| Trade and other payables                                   | 8     | 281,075                                          | 143,320                                            |
| Interest-bearing bank and other borrowings                 |       | 39,107                                           | 62,750                                             |
| Advances from non-controlling shareholders of subsidiaries |       | -                                                | 25                                                 |
| Tax payable                                                |       | 3,405                                            | 1,166                                              |
| Total current liabilities                                  |       | 323,587                                          | 207,261                                            |
| <b>Net current assets</b>                                  |       | 138,996                                          | 122,581                                            |
| <b>Total assets less current liabilities</b>               |       | 265,707                                          | 245,247                                            |
| <b>Non-current liabilities</b>                             |       |                                                  |                                                    |
| Advances from shareholders                                 |       | 60,977                                           | 59,541                                             |
| <b>Net assets</b>                                          |       | 204,730                                          | 185,706                                            |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

|                                                     | As at<br>30 June 2013<br>(Unaudited)<br>HK\$'000 | As at<br>31 December 2012<br>(Audited)<br>HK\$'000 |
|-----------------------------------------------------|--------------------------------------------------|----------------------------------------------------|
| <b>Equity</b>                                       |                                                  |                                                    |
| <b>Equity attributable to owners of the Company</b> |                                                  |                                                    |
| Issued capital                                      | 45,584                                           | 45,584                                             |
| Reserves                                            | 138,237                                          | 119,435                                            |
|                                                     | <b>183,821</b>                                   | 165,019                                            |
| <b>Non-controlling interests</b>                    | <b>20,909</b>                                    | 20,687                                             |
| Total equity                                        | <b>204,730</b>                                   | 185,706                                            |

Notes:

## 1. Principal accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standards No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2012 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and are effective for the annual period beginning on 1 January 2013, as disclosed in the annual financial statements for the year ended 31 December 2012. Except for the adoption of HKAS 1 Amendments, which has resulted in a modification of the presentation of the consolidated statement of comprehensive income, the adoption of the new and revised HKFRSs has had no significant impact on the accounting policies of the Group, the methods of computation used in the preparation of the Group’s interim financial statements and the Group’s results of operations and financial position.

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

These interim financial statements should be read, where relevant, in conjunction with the 2012 annual financial statements of the Group.

These interim financial statements have been reviewed by the Company’s Audit Committee.

## 2. 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 the commission income during the period.

An analysis of the Group's segment information is as follows:

### For the six months ended 30 June 2013

|                                  | Travel related<br>and other<br>services<br>(Unaudited)<br>HK\$'000 | Trading and<br>manufacturing<br>of jewellery<br>(Unaudited)<br>HK\$'000 | Investment<br>holding<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|----------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------|----------------------------------|
| Segment revenue                  |                                                                    |                                                                         |                                                  |                                  |
| Sales to external<br>customers   | 55,365                                                             | 52,911                                                                  | -                                                | <u>108,276</u>                   |
| Segment results                  | 17,586                                                             | 2,148                                                                   | 378                                              | 20,112                           |
| Reconciliation:<br>Finance costs |                                                                    |                                                                         |                                                  | <u>(2,704)</u>                   |
| Profit before tax                |                                                                    |                                                                         |                                                  | <u>17,408</u>                    |

### As at 30 June 2013

|                                                                      | Travel related<br>and other<br>services<br>(Unaudited)<br>HK\$'000 | Trading and<br>manufacturing<br>of jewellery<br>(Unaudited)<br>HK\$'000 | Investment<br>holding<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|----------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------|----------------------------------|
| Segment assets and total<br>assets                                   | 377,476                                                            | 36,032                                                                  | 175,786                                          | <u>589,294</u>                   |
| Segment liabilities                                                  | 274,916                                                            | 4,826                                                                   | 62,310                                           | 342,052                          |
| Reconciliation:<br>Corporate and other<br>unallocated<br>liabilities |                                                                    |                                                                         |                                                  | <u>42,512</u>                    |
| Total liabilities                                                    |                                                                    |                                                                         |                                                  | <u>384,564</u>                   |

## 2. Revenue and segmental information (continued)

For the six months ended 30 June 2012

|                                | Travel related<br>and other<br>services<br>(Unaudited)<br>HK\$'000 | Trading and<br>manufacturing of<br>jewellery<br>(Unaudited)<br>HK\$'000 | Investment<br>holding<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |
|--------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------|--------------------------------------------------|----------------------------------|
| Segment revenue                |                                                                    |                                                                         |                                                  |                                  |
| Sales to external<br>customers | 47,485                                                             | 31,675                                                                  | -                                                | <u>79,160</u>                    |
| Segment results                | 9,100                                                              | 2,285                                                                   | (3,225)                                          | 8,160                            |
| <i>Reconciliation:</i>         |                                                                    |                                                                         |                                                  |                                  |
| Finance costs                  |                                                                    |                                                                         |                                                  | <u>(3,879)</u>                   |
| Profit before tax              |                                                                    |                                                                         |                                                  | <u>4,281</u>                     |

As at 31 December 2012

|                                                   | Travel related<br>and other<br>services<br>(Audited)<br>HK\$'000 | Trading and<br>manufacturing of<br>jewellery<br>(Audited)<br>HK\$'000 | Investment<br>holding<br>(Audited)<br>HK\$'000 | Total<br>(Audited)<br>HK\$'000 |
|---------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------|--------------------------------|
| Segment assets and total<br>assets                | 251,475                                                          | 34,823                                                                | 166,210                                        | <u>452,508</u>                 |
| Segment liabilities                               | 135,694                                                          | 6,233                                                                 | 60,959                                         | 202,886                        |
| <i>Reconciliation:</i>                            |                                                                  |                                                                       |                                                |                                |
| Corporate and other<br>unallocated<br>liabilities |                                                                  |                                                                       |                                                | <u>63,916</u>                  |
| Total liabilities                                 |                                                                  |                                                                       |                                                | <u>266,802</u>                 |

## 2. Revenue and segmental information (continued)

|                                         | <b>Revenue from external customers</b> |                    |
|-----------------------------------------|----------------------------------------|--------------------|
|                                         | <b>Six months ended 30 June</b>        |                    |
|                                         | <b>2013</b>                            | <b>2012</b>        |
|                                         | <b>(Unaudited)</b>                     | <b>(Unaudited)</b> |
|                                         | <b>HK\$'000</b>                        | <b>HK\$'000</b>    |
| By geographical location <sup>#</sup> : |                                        |                    |
| Hong Kong                               | 43,229                                 | 36,497             |
| Mainland China                          | 65,047                                 | 42,663             |
|                                         | <u>108,276</u>                         | <u>79,160</u>      |

<sup>#</sup> The revenue information above is based on the location of customers.

The gross proceeds received and receivable from the sale of air-tickets and the provision of other travel related services are as follows:

|                                        | <b>Six months ended 30 June</b> |                    |
|----------------------------------------|---------------------------------|--------------------|
|                                        | <b>2013</b>                     | <b>2012</b>        |
|                                        | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                        | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Gross proceeds received and receivable | <u>1,673,586</u>                | <u>1,668,195</u>   |

## 3. Finance costs

An analysis of finance costs is as follows:

|                                                                                       | <b>Six months ended 30 June</b> |                    |
|---------------------------------------------------------------------------------------|---------------------------------|--------------------|
|                                                                                       | <b>2013</b>                     | <b>2012</b>        |
|                                                                                       | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
|                                                                                       | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
| Interest on bank loans, overdrafts and other loans wholly repayable within five years | 1,268                           | 2,507              |
| Interest on advances from directors                                                   | <u>1,436</u>                    | <u>1,372</u>       |
|                                                                                       | <u>2,704</u>                    | <u>3,879</u>       |

## 4. Profit before tax

For the six months ended 30 June 2013, profit before tax is arrived at after charging depreciation of approximately HK\$1,325,000 (six months ended 30 June 2012: approximately HK\$1,416,000) in respect of the Group's property, plant and equipment.



## 5. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

## 6. Earnings per share attributable to the owners of the Company

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

|                                                                                                                                     | <b>Six months ended 30 June</b> |                             |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------|
|                                                                                                                                     | <b>2013</b>                     | <b>2012</b>                 |
|                                                                                                                                     | <b>(Unaudited)</b>              | <b>(Unaudited)</b>          |
|                                                                                                                                     | <b>HK\$'000</b>                 | <b>HK\$'000</b>             |
| <b><u>Profit</u></b>                                                                                                                |                                 |                             |
| Unaudited profit attributable to the owners of the Company used in the basic earnings per share calculation                         | <b>14,146</b>                   | <b>2,616</b>                |
|                                                                                                                                     | <b><u>14,146</u></b>            | <b><u>2,616</u></b>         |
|                                                                                                                                     | <b>Number of shares</b>         |                             |
|                                                                                                                                     | <b>Six months ended 30 June</b> |                             |
|                                                                                                                                     | <b>2013</b>                     | <b>2012</b>                 |
|                                                                                                                                     | <b>(Unaudited)</b>              | <b>(Unaudited)</b>          |
| <b><u>Shares</u></b>                                                                                                                |                                 |                             |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations | <b>1,823,401,376</b>            | <b>1,823,401,376</b>        |
|                                                                                                                                     | <b><u>1,823,401,376</u></b>     | <b><u>1,823,401,376</u></b> |

The Company's share options have no dilutive effect for the six months period ended 30 June 2013 and 30 June 2012 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both periods.

## 7. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of approximately HK\$252,963,000 (31 December 2012: approximately HK\$171,277,000). The Group's trading terms with its customers are on credit with credit periods ranging from one to three months (31 December 2012: one to three months), depending on a number of factors including trade practices, 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 minimise credit risk. Overdue balances are reviewed regularly by senior management.

## 7. Trade and other receivables (continued)

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

|                 | As at<br>30 June 2013<br>(Unaudited)<br>HK\$'000 | As at<br>31 December 2012<br>(Audited)<br>HK\$'000 |
|-----------------|--------------------------------------------------|----------------------------------------------------|
| Within 90 days  | 240,321                                          | 162,588                                            |
| 91 to 180 days  | 8,305                                            | 4,748                                              |
| 181 to 365 days | 3,768                                            | 2,355                                              |
| Over 365 days   | 569                                              | 1,586                                              |
|                 | <u>252,963</u>                                   | <u>171,277</u>                                     |

## 8. Trade and other payables

Included in trade and other payables of the Group are trade payables of approximately HK\$235,156,000 (31 December 2012: approximately HK\$87,961,000) and an ageing analysis of the trade payables as at the end of reporting period, based on invoice date, is as follows:

|                 | As at<br>30 June 2013<br>(Unaudited)<br>HK\$'000 | As at<br>31 December 2012<br>(Audited)<br>HK\$'000 |
|-----------------|--------------------------------------------------|----------------------------------------------------|
| Within 90 days  | 233,955                                          | 86,701                                             |
| 91 to 180 days  | 145                                              | 184                                                |
| 181 to 365 days | 92                                               | 170                                                |
| Over 365 days   | 964                                              | 906                                                |
|                 | <u>235,156</u>                                   | <u>87,961</u>                                      |

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (31 December 2012: 15 to 90 days).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Summary

The Group recorded revenue of HK\$108.3 million and a profit after tax of HK\$13.9 million for the six months ended 30 June 2013, representing an increase by 36.8% and 6.4 times respectively as compared to the corresponding period in 2012. The Group's profit before tax and before the fair value changes on financial assets recorded a significant improvement in performance of HK\$7.4 million, or increased by 2.5 times to HK\$12.5 million for the six ended 30 June 2013 as compared to HK\$5.1 million of the corresponding period in 2012.

### Business Review

#### *Travel Related and Other Services*

The travel related and other services segment mainly comprises Four Seas Travel. The segment recorded a 16.6% increase in revenue to HK\$55.4 million and a 93.3% increase in operating profit to HK\$17.6 million for the six months ended 30 June 2013 as compared to the corresponding period in 2012.

For the six months ended 30 June 2013, revenue from Four Seas Travel amounted to HK\$53.5 million, representing a 15.2% increase as compared to the corresponding period in 2012. The reported operating profit increased by 67.0% from HK\$11.6 million for the six months ended 30 June 2012 to HK\$19.3 million for the six months ended 30 June 2013. The increase was mainly attributable to the increase of net revenue by HK\$7.0 million as compared to the corresponding period of 2012. Net revenue from Four Seas Travel's Hong Kong business increased by 18.4% to HK\$43.2 million for the six months ended 30 June 2013. The increase of net revenue of Hong Kong business was mainly attributable to the growth of air-ticket wholesale and corporate travel businesses. To cope with our strategic move, Four Seas Travel has extended our reach to the Mainland China since 2007 and has a total of six branches in Shenzhen, Guangzhou, Chongqing, Nanjing, Shanghai and Beijing. Net revenue from the Mainland China market increased by 3.2% to HK\$10.3 million for the six months ended 30 June 2013 as compared to the corresponding period in 2012 and accounted for approximately 19.2% (six months ended 30 June 2012: 21.5%) of the total net revenue of Four Seas Travel. Four Seas Travel was facing the pressure of salary increment in the Mainland China in the first half of 2013, but with the expectation that salary would stabilise and with the effects of promotion and marketing and operating efficiency, management is confident that there would be a gradual and continuing improvement in Four Seas Travel's performance in the Mainland China market in the upcoming future.

### *Trading and Manufacturing*

The trading and manufacturing segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store and counters of large department stores in Nanjing. During the first half of 2013, the demand for gold products was boosted by the slide of the international gold price and the revenue has recorded a significant growth despite that the growth was diluted by the decrease in gross margin. The segment recorded a 67.0% increase in revenue to HK\$52.9 million (six months ended 2012: HK\$31.7 million) and profit from operations was HK\$2.1 million (six months ended 30 June 2012: HK\$2.3 million). The slight drop in profit from operations was largely attributable to the decrease in gross margin ratio which outweighed the contribution from revenue growth. The gross margin ratio decreased from 23.5% for the six months ended 30 June 2012 to 14.2% for the six months ended 30 June 2013 but the gross margin remained stable at approximately HK\$7.5 million (six months ended 30 June 2012: approximately HK\$7.4 million). Thus, the segment's performance remained steady during the six months ended 30 June 2013.

As published in the Company's announcements dated 20 June 2013, 26 June 2013, 24 July 2013, 30 July 2013 and 20 August 2013, certain legal proceedings in relation to Nanjing South China Skytech Technology Co., Ltd., and the joint venture partner and certain members of the former management team of the same are in progress. The Group will make further announcement to update the shareholders of any major development of such legal proceedings as and when appropriate.

### **Liquidity and Financial Resources**

As at 30 June 2013, the Group had a current ratio of 1.43 and a gearing ratio of 0% (31 December 2012: 1.59 and 14.3% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. As at 30 June 2013, since the Group had net cash position (cash and cash equivalents less interest-bearing bank and other borrowings) of HK\$44.4 million, no gearing ratio was computed. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

### **Material Acquisitions and Disposals of Subsidiaries and Associates**

During the six months ended 30 June 2013, the Group did not have any material acquisition and disposal of subsidiaries and associates.

### **Prospects**

#### *Travel Related and Other Services*

Four Seas Travel will continue to allocate resources to promotion and marketing to expand and diversify its product types such as MICE (Meetings, Incentives, Conferences and Exhibitions), hotel booking and cruise products in order to widen our client base in both the Hong Kong and the Mainland China markets. In addition, we will simultaneously emphasise internal training and continue to develop our online booking platform so as to provide high-quality services to our customers and capture the potential market growth in the future. These initiatives also include research and development on new potential distribution channels for our products and improvement

for our existing service quality to open up new market segments and target customers. Our leading position in the Hong Kong air-ticket wholesale market gives us strategic advantage in expanding our leisure, MICE and corporate travel businesses, which have all seen steady growth and rise in our market position in the past few years. We will continue to expand our market share to position ourselves as one of the top air-ticket distributors in Hong Kong. In the meanwhile, Four Seas Travel will continue to leverage on our competitive advantage and success in Hong Kong to the Mainland China market. The Group's ultimate strategy is to become one of the major players in the Mainland China market.

### *Trading and Manufacturing*

We are continuously looking for highly potential points of sale in Nanjing and the surrounding cities. In addition, we will strengthen and consolidate the scale of sale and profitability of the existing points of sale in the coming years in order to achieve continuity in revenue growth and profit improvement.

### **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

During the six months ended 30 June 2013, 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.

### **CORPORATE GOVERNANCE**

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), Mr. David Michael Norman ("Mr. Norman") and Mr. David John Blackett ("Mr. Blackett") were unable to attend the annual general meeting of the Company held on 4 June 2013, which deviated from code provisions A.6.7 and E.1.2 since they had other business engagements. Ms. Jessica Ng and Mr. Norman, being Non-executive Directors of the Company and Mr. Blackett, being an Independent Non-executive Director of the Company ("INED") were not the chairmen of the Audit Committee and the Remuneration and Nomination Committee of the Company.

### **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 three INEDs, namely Mr. Cheng Hong Kei (Chairman of the Committee), Mr. Blackett and Mrs. Tse Wong Siu Yin Elizabeth and a Non-executive Director, namely Mr. Norman.

The Group's unaudited consolidated results for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

By Order of the Board  
**South China Holdings Limited**  
**Ng Hung Sang**  
*Chairman and Executive Director*

Hong Kong, 27 August 2013

*As at the date of this announcement, the directors of the Company are (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung Peter as executive directors; (2) Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive directors; and (3) Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei as independent non-executive directors.*