

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2014

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 2014 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$ '000	HK\$ '000
Revenue	2	80,047	108,276
Cost of sales		<u>(25,609)</u>	<u>(47,179)</u>
Gross profit		54,438	61,097
Other income		1,549	2,866
Fair value (loss)/gain on financial assets at fair value through profit or loss		(6,423)	4,900
Selling and distribution costs		(3,438)	(4,016)
Administrative expenses		(54,979)	(43,525)
Other operating expenses		<u>(1,168)</u>	<u>(1,210)</u>
(Loss)/profit from operations	2	(10,021)	20,112
Finance costs	3	<u>(2,496)</u>	<u>(2,704)</u>
(Loss)/profit before tax	4	(12,517)	17,408
Income tax expense	5	<u>(2,125)</u>	<u>(3,549)</u>
(Loss)/profit for the period		<u><u>(14,642)</u></u>	<u><u>13,859</u></u>

CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Attributable to:			
- Owners of the Company		(13,816)	14,146
- Non-controlling interests		<u>(826)</u>	<u>(287)</u>
		<u>(14,642)</u>	<u>13,859</u>
(Loss)/earnings per share attributable to the			
owners of the Company for the period	6		
Basic and diluted		<u>HK(0.8) cent</u>	<u>HK0.8 cent</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	<u>(14,642)</u>	<u>13,859</u>
Other comprehensive (loss)/income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in fair value on available-for-sale financial assets	(5,128)	3,206
Exchange differences on translation of foreign operations	<u>(1,314)</u>	<u>1,959</u>
Other comprehensive (loss)/income for the period	<u>(6,442)</u>	<u>5,165</u>
Total comprehensive (loss)/income for the period	<u>(21,084)</u>	<u>19,024</u>
Attributable to:		
- Owners of the Company	(19,729)	18,802
- Non-controlling interests	<u>(1,355)</u>	<u>222</u>
	<u>(21,084)</u>	<u>19,024</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2014 (Unaudited) HK\$ '000	As at 31 December 2013 (Audited) HK\$ '000
	Notes		
Non-current assets			
Property, plant and equipment		7,445	8,015
Investment properties		38,900	38,900
Available-for-sale financial assets		43,438	48,566
Other non-current assets		28,580	29,150
Goodwill		2,994	2,994
Total non-current assets		121,357	127,625
Current assets			
Inventories		27,781	31,970
Trade and other receivables	7	282,696	231,415
Financial assets at fair value through profit or loss		34,493	40,916
Advances to non-controlling shareholders of subsidiaries		1,795	1,878
Tax recoverable		222	146
Pledged bank deposits		3,260	3,250
Cash and cash equivalents		33,118	34,229
Total current assets		383,365	343,804
Current liabilities			
Trade and other payables	8	186,505	155,572
Interest-bearing bank and other borrowings		58,275	37,419
Tax payable		3,077	1,997
Total current liabilities		247,857	194,988
Net current assets		135,508	148,816
Total assets less current liabilities		256,865	276,441
Non-current liabilities			
Advances from shareholders		63,946	62,438
Net assets		192,919	214,003

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Equity		
Equity attributable to owners of the Company		
Issued capital	45,584	45,584
Reserves	127,176	146,905
	172,760	192,489
Non-controlling interests	20,159	21,514
Total equity	192,919	214,003

Notes:

1. Principal accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements (the “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 2013 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 2014, as disclosed in the annual financial statements for the year ended 31 December 2013. 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.

These interim financial statements should be read, where relevant, in conjunction with the 2013 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 2014

	Travel related and other services (Unaudited) HK\$'000	Trading and manufacturing of jewellery (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue				
Sales to external customers	51,697	28,350	-	<u>80,047</u>
Segment results	8,784	291	(19,096)	(10,021)
Reconciliation:				
Finance costs				<u>(2,496)</u>
Loss before tax				<u>(12,517)</u>

As at 30 June 2014

	Travel related and other services (Unaudited) HK\$'000	Trading and manufacturing of jewellery (Unaudited) HK\$'000	Investment holding (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment assets and total assets	306,704	33,536	164,482	<u>504,722</u>
Segment liabilities	179,307	6,127	65,017	250,451
Reconciliation:				
Corporate and other unallocated liabilities				<u>61,352</u>
Total liabilities				<u>311,803</u>

2. Revenue and segmental information (continued)

For the six months ended 30 June 2013

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

As at 31 December 2013

	Travel related and other services (Audited) HK\$ '000	Trading and manufacturing of jewellery (Audited) HK\$ '000	Investment holding (Audited) HK\$ '000	Total (Audited) HK\$ '000
Segment assets and total assets	255,150	36,132	180,147	<u>471,429</u>
Segment liabilities	144,610	7,890	65,510	218,010
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>39,416</u>
Total liabilities				<u>257,426</u>

2. Revenue and segmental information (continued)

	Revenue from external customers	
	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$ '000	HK\$ '000
By geographical location [#] :		
Hong Kong	38,334	43,229
Mainland China	41,713	65,047
	<u>80,047</u>	<u>108,276</u>

[#] 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:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$ '000	HK\$ '000
Gross proceeds received and receivable	<u>1,610,845</u>	<u>1,673,586</u>

3. Finance costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$ '000	HK\$ '000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	989	1,268
Interest on advances from shareholders	<u>1,507</u>	<u>1,436</u>
	<u>2,496</u>	<u>2,704</u>

4. (Loss)/profit before tax

For the six months ended 30 June 2014, loss before tax is arrived at after charging depreciation of approximately HK\$1,456,000 (six months ended 30 June 2013: approximately HK\$1,325,000) 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 2013: 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. (Loss)/earnings per share attributable to the owners of the Company

The calculations of the basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<u>(Loss)/profit</u>		
Unaudited (loss)/profit attributable to the owners of the Company		
used in the basic earnings per share calculation	<u>(13,816)</u>	<u>14,146</u>
	Number of shares	
	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue		
during the period used in the basic and diluted		
earnings per share calculations	<u>1,823,401,376</u>	<u>1,823,401,376</u>

The Company's share options have no dilutive effect for the six months period ended 30 June 2014 and 30 June 2013 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. As at 30 June 2014, all outstanding share options of the Company have been cancelled.

7. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of approximately HK\$243,381,000 (31 December 2013: approximately HK\$181,749,000). The Group's trading terms with its customers are on credit with credit periods normally settled from one to three months (31 December 2013: 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 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 90 days	231,395	175,720
91 to 180 days	10,111	4,850
181 to 365 days	1,830	956
Over 365 days	45	223
	<u>243,381</u>	<u>181,749</u>

8. Trade and other payables

Included in trade and other payables of the Group are trade payables of approximately HK\$139,289,000 (31 December 2013: approximately HK\$94,987,000) and an ageing analysis of the trade payables as at the end of reporting period, based on invoice date, is as follows:

	As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
Within 90 days	136,681	93,113
91 to 180 days	1,595	265
181 to 365 days	86	608
Over 365 days	927	1,001
	<u>139,289</u>	<u>94,987</u>

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (31 December 2013: 15 to 90 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

The Group recorded revenue of approximately HK\$80.0 million for the six months ended 30 June 2014, representing a decrease by 26.1% compared to the corresponding period in 2013. The Group also recorded a loss after tax of approximately HK\$14.6 million for the six months ended 30 June 2014 as opposed to a profit after tax of approximately HK\$13.9 million for the corresponding period in 2013. The change from net profit to net loss from the first half of 2013 to the first half of 2014 was primarily attributable to the (i) fair value loss on financial assets at fair value through profit or loss amounted to approximately HK\$6.4 million for the six months ended 30 June 2014 as opposed to a fair value gain amounted to approximately HK\$4.9 million for the corresponding period in 2013; (ii) increase in legal costs; and (iii) decrease in profit from the Group's travel business ("Four Seas Travel") for the six months ended 30 June 2014 as compared to that for the corresponding period in 2013. The Group's loss before tax and before the fair value changes on financial assets at fair value through profit or loss amounted to approximately HK\$6.1 million for the six months ended 30 June 2014 as opposed to profit before tax and before the fair value changes on financial assets at fair value through profit or loss of approximately HK\$12.5 million for the corresponding period in 2013.

Business Review

Travel Related and Other Services

The travel related and other services segment mainly comprises Four Seas Travel. The segment recorded a 6.6% decrease in revenue to approximately HK\$51.7 million and a 50.1% decrease in operating profit to approximately HK\$8.8 million for the six months ended 30 June 2014 as compared to the corresponding period in 2013.

For the six months ended 30 June 2014, revenue from Four Seas Travel amounted to approximately HK\$49.3 million, representing a 7.9% decrease as compared to the corresponding period in 2013. The reported operating profit decreased by 42.5% from approximately HK\$19.3 million for the six months ended 30 June 2013 to approximately HK\$11.1 million for the six months ended 30 June 2014. The decrease in operating profit was mainly attributable to the drop in business by approximately HK\$4.2 million as compared to the corresponding period of 2013, and exchange loss recorded for the six months ended 30 June 2014 as opposed to exchange gain for the corresponding period in 2013. The drop in business was mainly attributable to tightened incentive schemes offered from airlines and other factors including the air disaster and unstable political conditions of Thailand and Vietnam.

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 the main shop and self-operated jewellery counters in shopping malls located in Nanjing, China. During the first half of 2014, the revenue recorded a drop due to the high demand for gold products driven by the slide of the international gold price in the first half of 2013 which did not sustain in the first half of 2014. For the six months ended 30 June 2014, the segment recorded a 46.3% decrease in revenue to approximately HK\$28.4 million (six months ended 30 June 2013: approximately HK\$52.9 million) and profit from operations was approximately HK\$0.3 million (six months ended 30 June 2013: approximately HK\$2.1 million). The decrease in profit from operations was largely attributable to the decrease in revenue and gross profit. The gross profit decreased from approximately HK\$7.5 million for the six months ended 30 June 2013 to approximately HK\$4.9 million for the six months ended 30 June 2014, despite that the gross margin ratio increased from 14.2% for the six months ended 30 June 2013 to 17.3% for the six months ended 30 June 2014.

Liquidity and Financial Resources

As at 30 June 2014, the Group had a current ratio of 1.55 and a gearing ratio of 11.5% (31 December 2013: 1.76 and 1.5% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

Material Acquisitions and Disposals of Subsidiaries and Associates

Reference is made to the Company's announcement dated 25 June 2014 and the Company's circular dated 12 August 2014 (the "Circular"). Unless otherwise stated, capitalised terms used in this section have the same meanings as defined in the Circular.

Share Purchase Agreement

On 30 April 2014 (after trading hours), the Offeror and the Vendors entered into the Share Purchase Agreement to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell 1,185,210,894 shares in aggregate, representing approximately 65% of the existing issued share capital of the Company, at a total consideration of approximately HK\$325.0 million. Share Purchase Completion is conditional upon, among other thing, the conditions set out in the Circular which include the conditions precedent under the Disposal Agreement and the completion of the Disposal Agreement taking place in accordance with its terms simultaneously with Share Purchase Completion.

The Disposal Agreement

On 30 April 2014 (after trading hours), the Company and Tremendous Success entered into the Disposal Agreement, pursuant to which the Company has conditionally agreed to sell and Tremendous Success has conditionally agreed to purchase the entire issued share capital of South China (BVI), which will hold the Disposal Group (including, among other companies, 35% of the issued shares of Four Seas and 15% of the issued shares of King Link) after the Reorganisation, at a consideration of approximately HK\$95.5 million.

Completion of the Disposal Agreement and the Share Purchase Agreement are inter-conditional and shall take place simultaneously.

The abovementioned transactions are subject to fulfilment of certain conditions set out in the section headed "THE SHARE PURCHASE AGREEMENT – Completion Conditions" in the Circular and the approval by the Independent Shareholders by way of poll at the extraordinary general meeting of the Company, as detailed in pages EGM-1 to EGM-4 of the Circular.

Prospects

Travel Related and Other Services

Four Seas Travel will continue to strengthen its position in the corporate travel market including MICE (Meetings, Incentives, Conferences and Exhibitions) and hotel booking by allocating resources to promotion, marketing and technology. In addition, Four Seas Travel will simultaneously develop new market segments including cruise market which has great potential as being promoted by government policies and rising demand in recent years.

The management will simultaneously emphasise internal training and continue to develop the online booking platform so as to provide high-quality services to customers and capture the potential market growth in the future. Four Seas Travel will continue to work with global travel business partners to expand its market share to position itself as one of the top travel management company in the corporate travel market.

Trading and Manufacturing

The management is continuously looking for highly potential points of sale in Nanjing, China and the surrounding cities. In addition, management will strengthen and consolidate the scale of sale and profitability of the existing points of sale in the coming years in order to achieve 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 2014 (six months ended 30 June 2013: Nil).

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

During the six months ended 30 June 2014, 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 CODE

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 2014 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

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

Hong Kong, 19 August 2014

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.