



# SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

## INTERIM REPORT 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

		<b>Six months ended 30 June</b>	
		<b>2014</b>	<b>2013</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	<b>2</b>	<b>80,047</b>	108,276
Cost of sales		<b>(25,609)</b>	(47,179)
Gross profit		<b>54,438</b>	61,097
Other income		<b>1,549</b>	2,866
Fair value (loss)/gain on financial assets at fair value through profit or loss		<b>(6,423)</b>	4,900
Selling and distribution costs		<b>(3,438)</b>	(4,016)
Administrative expenses		<b>(54,979)</b>	(43,525)
Other operating expenses		<b>(1,168)</b>	(1,210)
<b>(Loss)/profit from operations</b>	<b>2</b>	<b>(10,021)</b>	20,112
Finance costs	<b>3</b>	<b>(2,496)</b>	(2,704)
<b>(Loss)/profit before tax</b>	<b>4</b>	<b>(12,517)</b>	17,408
Income tax expense	<b>5</b>	<b>(2,125)</b>	(3,549)
<b>(Loss)/profit for the period</b>		<b>(14,642)</b>	13,859
Attributable to:			
— Owners of the Company		<b>(13,816)</b>	14,146
— Non-controlling interests		<b>(826)</b>	(287)
		<b>(14,642)</b>	13,859
<b>(Loss)/earnings per share attributable to the owners of the Company for the period</b>	<b>6</b>		
Basic and diluted		<b>HK(0.8) cent</b>	HK0.8 cent

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>(Loss)/profit for the period</b>	<b><u>(14,642)</u></b>	<b><u>13,859</u></b>
<b>Other comprehensive (loss)/income 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	(5,128)	3,206
Exchange differences on translation of foreign operations	<u>(1,314)</u>	<u>1,959</u>
<b>Other comprehensive (loss)/income for the period</b>	<b><u>(6,442)</u></b>	<b><u>5,165</u></b>
<b>Total comprehensive (loss)/income for the period</b>	<b><u>(21,084)</u></b>	<b><u>19,024</u></b>
Attributable to:		
— Owners of the Company	(19,729)	18,802
— Non-controlling interests	<u>(1,355)</u>	<u>222</u>
	<b><u>(21,084)</u></b>	<b><u>19,024</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2014 (Unaudited) HK\$'000	As at 31 December 2013 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
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
		<hr/>	<hr/>
Total non-current assets		121,357	127,625
		<hr/>	<hr/>
<b>Current assets</b>			
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
		<hr/>	<hr/>
Total current assets		383,365	343,804
		<hr/>	<hr/>
<b>Current liabilities</b>			
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
		<hr/>	<hr/>
Total current liabilities		247,857	194,988
		<hr/>	<hr/>
<b>Net current assets</b>		135,508	148,816
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		256,865	276,441
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Advances from shareholders		63,946	62,438
		<hr/>	<hr/>
<b>Net assets</b>		192,919	214,003
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Non-controlling interests	Total equity
	Issued capital	Other reserves	Retained profits	Total		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January 2014 (audited)	<u>45,584</u>	<u>103,963</u>	<u>42,942</u>	<u>192,489</u>	<u>21,514</u>	<u>214,003</u>
Cancellation of share options	-	(4,069)	4,069	-	-	-
Total comprehensive income for the period	<u>-</u>	<u>(5,913)</u>	<u>(13,816)</u>	<u>(19,729)</u>	<u>(1,355)</u>	<u>(21,084)</u>
At 30 June 2014 (unaudited)	<u><u>45,584</u></u>	<u><u>93,981</u></u>	<u><u>33,195</u></u>	<u><u>172,760</u></u>	<u><u>20,159</u></u>	<u><u>192,919</u></u>
Balance at 1 January 2013 (audited)	<u>45,584</u>	<u>98,305</u>	<u>21,130</u>	<u>165,019</u>	<u>20,687</u>	<u>185,706</u>
Total comprehensive income for the period	<u>-</u>	<u>4,656</u>	<u>14,146</u>	<u>18,802</u>	<u>222</u>	<u>19,024</u>
At 30 June 2013 (unaudited)	<u><u>45,584</u></u>	<u><u>102,961</u></u>	<u><u>35,276</u></u>	<u><u>183,821</u></u>	<u><u>20,909</u></u>	<u><u>204,730</u></u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash flows (used in)/from operating activities	<b>(20,002)</b>	69,201
Net cash flows used in investing activities	<b>(896)</b>	(992)
Net cash flows from/(used in) financing activities	<b>18,825</b>	(25,403)
Net (decrease)/increase in cash and cash equivalents	<b>(2,073)</b>	42,806
Cash and cash equivalents at beginning of period	<b>36,488</b>	47,068
Effect of foreign exchange rate changes, net	<b>(515)</b>	513
Cash and cash equivalents at end of period	<b>33,900</b>	90,387
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the condensed consolidated statement of financial position	<b>33,118</b>	83,552
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	<b>3,260</b>	6,835
Bank overdrafts	<b>(2,478)</b>	–
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>33,900</b>	90,387

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2014*

### **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 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.

This interim report has 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
<b>Segment revenue</b>				
Sales to external customers	51,697	28,350	-	<u>80,047</u>
<b>Segment results</b>	8,784	291	(19,096)	(10,021)
<i>Reconciliation:</i>				
Finance costs				<u>(2,496)</u>
<b>Loss before tax</b>				<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
<b>Segment assets and total assets</b>	306,704	33,536	164,482	<u>504,722</u>
<b>Segment liabilities</b>	179,307	6,127	65,017	250,451
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>61,352</u>
<b>Total liabilities</b>				<u>311,803</u>



## 2. Revenue and segmental information (continued)

For the six months ended 30 June 2013

	Travel related and other services (Unaudited) <i>HK\$'000</i>	Trading and manufacturing of jewellery (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
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) <i>HK\$'000</i>	Trading and manufacturing of jewellery (Audited) <i>HK\$'000</i>	Investment holding (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
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>

**Revenue from  
external customers**  
**Six months ended 30 June**  
**2014**                      2013  
**(Unaudited)**            (Unaudited)  
***HK\$'000***                *HK\$'000*

By geographical location#:

Hong Kong	<b>38,334</b>	43,229
Mainland China	<b>41,713</b>	65,047
	<u><b>80,047</b></u>	<u>108,276</u>

# The revenue information above is based on the location of customers.

## 2. Revenue and segmental information (continued)

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

## 3. Finance costs

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</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	<b>989</b>	1,268
Interest on advances from shareholders	<b><u>1,507</u></b>	<u>1,436</u>
	<b><u>2,496</u></b>	<b><u>2,704</u></b>

## 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:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b><u>(Loss)/profit</u></b>		
Unaudited (loss)/profit attributable to the owners of the Company used in the basic earnings per share calculation	<b><u>(13,816)</u></b>	<b><u>14,146</u></b>

**6. (Loss)/earnings per share attributable to the owners of the Company (continued)**

**Number of shares**  
**Six months ended 30 June**  
**2014**                      2013  
**(Unaudited)**              (Unaudited)

**Shares**

Weighted average number of ordinary shares in issue during the period used  
in the basic and diluted earnings per share calculations

**1,823,401,376**      **1,823,401,376**

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.

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:

	<b>As at 30 June 2014 (Unaudited) HK\$'000</b>	As at 31 December 2013 (Audited) HK\$'000
Within 90 days	<b>231,395</b>	175,720
91 to 180 days	<b>10,111</b>	4,850
181 to 365 days	<b>1,830</b>	956
Over 365 days	<b>45</b>	223
	<b><u>243,381</u></b>	<b><u>181,749</u></b>

## 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).

## 9. Related party transactions

- (a) In addition to the transactions disclosed elsewhere in these interim financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2014 and 2013:

Related party	Nature of transaction	Notes	Six months ended 30 June 2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Companies in which certain directors have beneficial interests*/#	Net proceeds from air-tickets and travel related services sold	(i)	199	110
Companies in which certain directors have beneficial interests*/**	Rental expenses	(i)	1,534	1,269
Shareholders#	Interest expenses	(ii)	<u>1,436</u>	<u>1,436</u>

\* The directors of the Company are also directors and/or substantial shareholders of the related companies.

\*\* The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

# The related party transactions also constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) These transactions were charged at prevailing market rates.

(ii) The interest expenses were charged at the Hong Kong dollar prime rate per annum on the outstanding balances due to the shareholders.

## 9. Related party transactions (continued)

- (b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in the condensed consolidated statement of financial position.

- (c) Compensation of key and senior management personnel of the Group:

Executive directors are the key and senior management personnel of the Group. Details of their remuneration are as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Fees, salaries, allowances and benefits in kind and pension scheme contribution	<b><u>1,028</u></b>	<u>1,028</u>

## 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.

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

As at 30 June 2014, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

## **Capital Structure**

The Group had no debt securities or other capital instruments as at 30 June 2014 and up to the date of this report. There was no material change in the Group's capital structure as compared to the most recently published annual report.

## **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.

## **Pledges of Assets, Contingent Liabilities and Commitments**

As at 30 June 2014, there was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recently published annual report.

## **Investments**

During the six months ended 30 June 2014, shares of South China Land Limited recorded a fair value loss of approximately HK\$6.4 million on financial assets at fair value through profit or loss in the condensed consolidated income statement and shares of South China (China) Limited recorded a fair value loss of approximately HK\$5.1 million on available-for-sale financial assets in the condensed consolidated statement of comprehensive income.

There was no material change in the Group's investments as compared to the most recently published annual report.

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended 31 December 2013. As at 30 June 2014, the financial instruments measured at fair value held by the Group were classified as level 1.

## **Employees**

As at 30 June 2014, the total number of employees of the Group was 343 (31 December 2013: 352). Employees' costs (including directors' emoluments) amounted to approximately HK\$30.0 million for the six months ended 30 June 2014 (six months ended 30 June 2013: approximately HK\$29.0 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidised training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share options under the share option scheme adopted by the Company. As at 30 June 2014, all outstanding share options of the Company have been cancelled.

## **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).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

### Long positions in shares

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner Interest of controlled corporations	71,652,200 1,272,529,612 (Note)	1,344,181,812	73.72%
Richard Howard Gorges ("Mr. Gorges")	Interest of controlled corporations	487,949,760 (Note)	487,949,760	26.76%
Cheung Choi Ngor ("Ms. Cheung")	Interest of controlled corporations	487,949,760 (Note)	487,949,760	26.76%

*Notes:* The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations included 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Eartrade Investments Limited ("Eartrade"). Parkfield, Fung Shing and Ronastar were all wholly owned by Mr. Ng. Bannock was a wholly-owned subsidiary of Eartrade which was owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom were considered as parties to an agreement to which Section 317 of the SFO applied. As such, Mr. Ng, Mr. Gorges and Ms. Cheung were deemed to have an interest in 487,949,760 shares held by Bannock and Eartrade.

Save as disclosed above, as at 30 June 2014, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of the Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2014, the following corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

### Long position in shares

Name of Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Shi Baodong ("Mr. Shi")	Interest of a controlled corporation	1,185,210,894 (Note a)	65.00%
Orient Victory Real Estate Group Holdings Limited ("Orient Victory")	Beneficial owner	1,185,210,894 (Note a)	65.00%
Eartrade	Beneficial owner and interest of a controlled corporation	487,949,760 (Note b)	26.76%
Bannock	Beneficial owner	237,303,360 (Note b)	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%
Ng Lai King Pamela ("Ms. Ng")	Interest of spouse	1,344,181,812 (Note c)	73.72%

Note:

- (a) Orient Victory is wholly-owned by Mr. Shi. On 30 April 2014, Orient Victory entered into a sale and purchase agreement to acquire 65% share interest of the Company (please refer to the joint announcement of the Company and Orient Victory dated 25 June 2014 for details). As such, Mr. Shi and Orient Victory are deemed to have the 65% share interest pursuant to the SFO.
- (b) Bannock was a wholly-owned subsidiary of Eartrade. The 487,949,760 shares in the Company held by Eartrade included 237,303,360 shares held by Bannock directly.
- (c) Ms. Ng is the spouse of Mr. Ng and is deemed to be interested in 1,344,181,812 shares Mr. Ng is interested in.

Save as disclosed above, as at 30 June 2014, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

## SHARE OPTION SCHEMES

### (i) 2002 Share Option Scheme

The share option scheme adopted by the Company on 31 May 2002 (the “2002 Option Scheme”) was terminated on 5 June 2012. Share options granted under the 2002 Option Scheme prior to its termination will continue to be valid and exercisable pursuant to the terms of the 2002 Option Scheme. Particulars and movements of the outstanding share options granted under the 2002 Option Scheme during the six months ended 30 June 2014 were as follows:

Name or category of participants	Number of shares comprised in share options				Outstanding as at 30 June 2014	Date of grant of share options (DD/MM/YYYY) (Note a)	Exercise period of share options (DD/MM/YYYY)	Exercise price per share (HK\$) (Note b)
	Outstanding as at 1 January 2014	Exercised	Lapsed during the period	Cancelled				
<b>Directors</b>								
Ms. Cheung	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2010 - 17/09/2017	2.00
Mr. Gorges	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2010 - 17/09/2017	2.00
Ng Yuk Mui	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2008 - 17/09/2017	2.00
Jessica	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2010 - 17/09/2017	2.00
Ng Yuk Fung Peter	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	6,000,000	-	18/09/2007	18/09/2010 - 17/09/2017	2.00
Sub-total:	72,000,000	-	-	72,000,000	-			
<b>Others</b>								
In aggregate	6,733,333	-	-	6,733,333	-	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,733,333	-	-	6,733,333	-	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,733,334	-	-	6,733,334	-	18/09/2007	18/09/2010 - 17/09/2017	2.00
Sub-total:	20,200,000	-	-	20,200,000	-			
Total	92,200,000	-	-	92,200,000	-			

Notes:

- (a) All share options granted are subject to a vesting period and become exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage %
Within 12 months	Nil
13th month – 24th month	not more than 33 <sup>1</sup> / <sub>3</sub>
25th month – 36th month	not more than 66 <sup>2</sup> / <sub>3</sub>
37th month – 120th month	100

- (b) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

No equity-settled share option expense was recognised by the Company during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil). As at 30 June 2014, all outstanding share options of the Company have been cancelled.

## **(ii) 2012 Share Option Scheme**

At the annual general meeting of the Company held on 5 June 2012, the shareholders approved the adoption of a new share option scheme (the “2012 Option Scheme”) and it became effective on 11 June 2012. No share option has been granted under the 2012 Option Scheme since its adoption.

## **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, 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding the directors’ securities transactions.

Following specific enquiry by the Company, all Directors have confirmed their compliance with the required standards set out in the Model Code regarding directors’ securities transactions throughout the six months ended 30 June 2014.

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 report, 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.*