THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **South China Holdings Limited**, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY CCB INTERNATIONAL CAPITAL LIMITED ON BEHALF OF ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN SOUTH CHINA HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Orient Victory Real Estate Group Holdings Limited

建银国际
CCB International

Independent financial adviser to the Independent Board Committee

Hercules

Hercules Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from the Board is set out on pages 10 to 14 of this Composite Document. A letter from CCBI containing, among other things, the details of the terms of the Offer is set out on pages 15 to 27 of this Composite Document. A letter from the Independent Board Committee containing their advice to the Independent Shareholders is set out on pages 28 to 29 of this Composite Document. A letter from the Independent Financial Adviser containing its opinion on the Offer and its recommendation to the Independent Board Committee is set out on pages 30 to 48 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 3 October 2014 or such later time(s) and/or date(s) as the Offeror may determine and announce in accordance with the requirements of the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the paragraph headed "Important Note to the Shareholders Outside Hong Kong" in the "Letter from CCBI" of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether or not to accept the Offer.

This Composite Document will remain on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sctrade.com) as long as the Offer remains open.

10 September 2014

CONTENTS

The expected timetable set out below is indicative only and may be subject to changes. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

	2014
Despatch date of this Composite Document and the Form of Acceptance and the commencement date of the Offer *(Note 1)*	Wednesday, 10 September
Latest time and date for acceptance of the Offer *(Notes 2 and 4)*	4:00 p.m. on Friday, 3 October
Closing Date *(Note 1)*	Friday, 3 October
Announcement of the results of the Offer as at the Closing Date to be posted on the website of the Stock Exchange *(Note 2)*	not later than 7:00 p.m. on Friday, 3 October
Latest date for posting of remittances in respect of valid acceptances received under the Offer *(Notes 3 and 4)*	Tuesday, 14 October

Notes:

(1) The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Wednesday, 10 September 2014 until the Closing Date. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of Withdrawal" in Appendix I to this Composite Document.

(2) In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Friday, 3 October 2014. An announcement will be issued through the website of the Stock Exchange by 7:00 p.m. on Friday, 3 October 2014 stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.

(3) Remittances in respect of the cash consideration payable for the Shares tendered under the Offer will be despatched to the accepting holders of the Offer Shares by ordinary post at their own risk as soon as possible but in any event within 7 Business Days after the date of receipt of a duly completed acceptance in accordance with the Takeovers Code.

(4) If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

(a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or

(b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	the meaning ascribed to it in the Takeovers Code
"associate(s)"	the meaning ascribed to it in the Takeovers Code
"Bannock"	Bannock Investment Limited, a company incorporated under the laws of the Republic of Liberia, being one of the Vendors
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCBI"	CCB International Capital Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and which is the financial adviser to the Offeror in respect of the Offer
"CCBIS"	CCB International Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO, being a fellow subsidiary of CCBI
"CCBIS Facility"	a margin loan facility of up to HK$182 million granted by CCBIS to the Offeror
"Closing Date"	Friday, 3 October 2014, being the closing date of the Offer, or any subsequent closing date(s) as may be determined and announced by the Offeror with the consent of the Executive in accordance with the Takeovers Code

"Company"	South China Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 265)
"(this) Composite Document"	this composite offer and response document dated 10 September 2014 jointly issued by the Offeror and the Company to the Shareholders in connection with the Offer
"Deed of Assignment"	the deed of assignment dated 4 September 2014 entered into between the Company and Tremendous Success Holdings Limited whereby the Company assigned, among others, its rights and benefits and liabilities in certain litigation cases as the plaintiff to Tremendous Success Holdings Limited
"Director(s)"	director(s) of the Company, including independent non-executive director(s) of the Company
"Disposal"	the transfer of the entire issued share capital of South China (BVI) Limited pursuant to the Disposal Agreement
"Disposal Agreement"	the agreement dated 30 April 2014 entered into between the Company and Tremendous Success Holdings Limited, as amended by the supplemental agreement dated 24 June 2014 entered into between the Company and Tremendous Success Holdings Limited, relating to the transfer of the entire issued share capital of South China (BVI) Limited, further details of which are set out in the Joint Announcement and the circular of the Company dated 12 August 2014
"Earntrade"	Earntrade Investments Limited (盈麗投資有限公司), a company incorporated under the laws of Hong Kong, being one of the Vendors
"Executive"	the executive director of the Corporate Finance Division of the SFC from time to time or any delegate of the executive director
"Form of Acceptance"	the form of acceptance and transfer of Share(s) in respect of the Offer accompanying this Composite Document

"Former Group"	the Company and its subsidiaries prior to completion of the Disposal
"Four Seas"	Four Seas Tours Limited (四海旅行社有限公司), a company incorporated in Hong Kong with limited liability, being a company within the Remaining Group
"Group"	the Company and its subsidiaries
"Guarantor"	Ms. Cheung Choi Ngor, an executive Director and the beneficial owner of 20% of the issued share capital in Earntrade
"HK Four Seas"	Hong Kong Four Seas Tours Limited (香港四海旅行社有限公司), a company incorporated in Hong Kong with limited liability, being a company disposed of from the Group pursuant to the Disposal and which provides services to Four Seas pursuant to the Service Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all non-executive Directors except Ms. Ng Yuk Mui Jessica, being the daughter of Mr. Ng and presumed to be not independent for the purpose of giving advice to the Independent Shareholders in respect of the Offer, namely Mr. David Michael Norman, Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei, which is established by the Company to advise the Independent Shareholders in respect of the Offer
"Independent Financial Adviser"	Hercules Capital Limited, a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities for the purposes of the SFO, and which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Offer

"Independent Shareholder(s)"	Shareholder(s) other than the Offeror, its ultimate beneficial owner and any parties acting in concert with any of them
"Jewellery Business"	the trading of jewellery products in the PRC conducted by 南京南華寶慶珠寶首飾有限公司 (Nanjing South China Baoqing Jewellery Co., Ltd.#), a sino-foreign joint venture established in the PRC and a company within the Remaining Group
"Joint Announcement"	the announcement dated 25 June 2014 jointly issued by the Offeror and the Company in relation to, among others, the Share Purchase Agreement and the Offer
"Last Trading Day"	30 April 2014, the last full trading day for the Shares prior to the suspension of trading in the Shares on the Stock Exchange pending the release of the Joint Announcement
"Latest Practicable Date"	5 September 2014, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ng"	Mr. Ng Hung Sang, an executive Director and the chairman of the Board
"Mr. Shi"	Mr. Shi Baodong (石保棟), the sole beneficial owner of the Offeror
"Offer"	the mandatory unconditional cash offer made by CCBI on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code
"Offer Period"	has the meaning ascribed thereto in the Takeovers Code, being the period commencing from 25 April 2014 (i.e. the date of the Rule 3.7 Announcement) and ending on the Closing Date
"Offer Price"	the cash amount of HK$0.27425 payable by the Offeror for each Share in respect of the Offer

"Offer Share(s)"	issued Share(s) in respect of which the Offer is made, being Share(s) not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
"Offeror"	Orient Victory Real Estate Group Holdings Limited 東勝置業集團控股有限公司, a company incorporated under the laws of the BVI with limited liability, being the purchaser of the Sale Shares under the Share Purchase Agreement and which is wholly, beneficially and directly owned by Mr. Shi
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"PRC"	the People's Republic of China which, for the purpose of this Composite Document, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Registrar"	the share registrar of the Company, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
"Relevant Period"	the period commencing on the date falling six months preceding 25 April 2014, being the date of the Rule 3.7 Announcement, up to and including the Latest Practicable Date
"Remaining Business"	the businesses carried on by the Remaining Group after the Disposal
"Remaining Group"	the Company and its subsidiaries after the Disposal
"Rule 3.7 Announcement"	the joint announcement dated 25 April 2014 made by the Company pursuant to Rule 3.7 of the Takeovers Code, Rule 13.09 of the Listing Rules and Part XIVA of the SFO
"Sale Shares"	1,185,210,894 Shares acquired by the Offeror from the Vendors pursuant to the terms of the Share Purchase Agreement, representing approximately 65% of the existing issued share capital of the Company immediately prior to Share Purchase Completion

"Service Agreement"	the service agreement dated 4 September 2014 entered into among the Company, Four Seas and HK Four Seas, pursuant to which HK Four Seas would provide certain information technology, trademarks licensing, back office support and air ticket purchase agency services to Four Seas
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) having a par value of HK$0.025 each in the Company as at the Latest Practicable Date
"Share Charge"	the share mortgage and first fixed and floating charge under the deed of charge over account dated 8 May 2014 made by the Offeror in favour of CCBIS which provides, amongst others, that the Sale Shares and such number of Offer Shares tendered for acceptance under the Offer as are necessary to ensure a specified margin financing ratio pursuant to the CCBIS Facility are mortgaged to CCBIS as continuing security for the payment, discharge and performance of the Offeror's obligations and liabilities to CCBIS, including those under the CCBIS Facility
"Share Purchase Agreement"	the sale and purchase agreement dated 30 April 2014 entered into among the Vendors, the Offeror and the Guarantor in relation to the sale and purchase of the Sale Shares, as amended by the supplemental agreement dated 24 June 2014 entered into among the Vendors, the Offeror and the Guarantor
"Share Purchase Completion"	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Share Purchase Agreement
"Shareholders"	holder(s) of Share(s)
"Special Dividend"	a special dividend of HK$0.0348 per Share declared by the Board by a resolution passed on 29 August 2014, the record date for which was 3 September 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Travel Agent Business (Corporate)"	the sale of air tickets and other travel-related services principally provided to corporate clients conducted by Four Seas since 15 October 2013 as a result of an internal reorganisation of the Company and conducted by HK Four Seas prior to the internal reorganisation
"Vendors"	Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade
"%"	per cent.

For the purpose of this Composite Document, "#" denotes an English transliteration/translation of a Chinese name and is for identification purposes only. If there is any inconsistency between the Chinese name and the English transliteration/translation, the Chinese name shall prevail.

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 265)

Executive Directors:
Mr. Ng Hung Sang *(Chairman)*
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung Peter

Non-executive Directors:
Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman

Independent Non-executive Directors:
Mr. David John Blackett
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Cheng Hong Kei

Registered Office:
Floor 4
Willow House
Cricket Square
PO Box 2804
Grand Cayman KY1-1112
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

10 September 2014

To the Shareholders

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY CCB INTERNATIONAL CAPITAL LIMITED ON BEHALF OF ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN SOUTH CHINA HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

The Company and the Offeror jointly announced on 25 June 2014, among other things, that on 30 April 2014 (after trading hours), the Vendors, the Offeror and the Guarantor entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell and the Offeror agreed to acquire the Sale Shares, being 1,185,210,894 Shares in aggregate, at a total consideration of HK$325,044,087 (representing a purchase price of approximately HK$0.27425 per Sale Share). The Sale Shares represent approximately 65% of the existing issued share capital of the Company immediately prior to Share Purchase Completion.

Share Purchase Completion took place on 4 September 2014.

Upon Share Purchase Completion, the Offeror became the owner of approximately 65% of the existing issued share capital of the Company, and accordingly, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. CCBI is making the Offer on behalf of the Offeror.

Further terms and the procedures of acceptances of the Offer are set out in the "Letter from CCBI" and Appendix I to this Composite Document of which this letter forms part. The purpose of this Composite Document is to provide you with, among other things, information relating to the Company and the Offer, the recommendation of the Independent Board Committee to the Independent Shareholders and the "Letter from the Independent Financial Adviser" to the Independent Board Committee in relation to the Offer.

THE OFFER

As at the Latest Practicable Date, there were 1,823,401,376 Shares in issue. The Company has no outstanding warrants, options, derivatives or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities.

The Offer Price of HK$0.27425 per Share is approximately equal to the price per Sale Share payable by the Offeror under the Share Purchase Agreement. As stated in the "Letter from CCBI", as the Offeror and parties acting in concert with it owned 1,185,210,894 Shares as at the Latest Practicable Date, 638,190,482 Shares are subject to the Offer and the total consideration of the Offer would be approximately HK$175,023,739.69 based on the Offer Price.

Principal terms of the Offer

CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . HK$0.27425 in cash

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made (excluding the right to the Special Dividend). In this connection, the record date for ascertaining the entitlement to the Special Dividend fell on 3 September 2014. Payment of such Special Dividend is intended to be made on or about 15 September 2014. For the avoidance of doubt, for the Shareholders who will be entitled to receive the Special Dividend, acceptance of the Offer shall not prejudice their entitlement to receive such Special Dividend.

The Offer will extend to all Shares in issue on the date on which the Offer is made, other than those Shares held by the Offeror and parties acting in concert with it.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the sale of air-tickets and other travel-related services, trading of jewellery products, and the Group's management services and other investment holding.

Set out below is the audited financial information of the Former Group extracted from Appendix II to this Composite Document:

	Years ended 31 December		
	2013	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	200,556	164,169	152,271
Profit/(loss) for the year	21,873	19,196	(24,566)

The audited consolidated net assets of the Former Group attributable to owners of the Company as at 31 December 2013 were approximately HK$192,489,000. The audited consolidated net assets of the Former Group attributable to owners of the Company as at 31 December 2012 were approximately HK$165,019,000 and the audited consolidated net assets of the Former Group attributable to owners of the Company as at 31 December 2011 were approximately HK$131,874,000.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (a) immediately before Share Purchase Completion and (b) immediately after Share Purchase Completion and as at the Latest Practicable Date:

	Immediately before Share Purchase Completion		Immediately after Share Purchase Completion and as at the Latest Practicable Date	
	Number of Shares held	*Approximate % of Shares in issue*	*Number of Shares held*	*Approximate % of Shares in issue*
The Offeror and its concert parties	–	-	1,185,210,894	65
Mr. Ng *(Note)*	71,652,200	3.94	71,652,200	3.94
The Vendors *(Note)*	1,272,529,612	69.78	87,318,718	4.78
Mr. Ng and its concert parties	1,344,181,812	73.72	158,970,918	8.72
Public	479,219,564	26.28	479,219,564	26.28
Total	1,823,401,376	100.00	1,823,401,376	100.00

Note: *As at the Latest Practicable Date, Parkfield Holdings Limited, Fung Shing Group Limited and Ronastar Investments Limited are wholly owned by Mr. Ng; Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng. Mr. Ng is also a director of each of Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade.*

INTENTIONS OF THE OFFEROR IN RELATION TO THE COMPANY

Your attention is drawn to the sections headed "Information on the Offeror" and "Intentions of the Offeror in relation to the Group" in the "Letter from CCBI" as set out in this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares or (b) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

ADVICE

The Independent Board Committee has been established to make recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable and as to acceptance of the Offer. Your attention is drawn to the "Letter from the Independent Board Committee" in this Composite Document which sets out its advice and recommendation to the Independent Shareholders in relation to the Offer, and the "Letter from the Independent Financial Adviser" as set out in this Composite Document containing its advice and recommendation to the Independent Board Committee in respect of the Offer.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this Composite Document. You are also recommended to read carefully Appendix I to this Composite Document and the accompanying Form of Acceptance for further details in respect of the procedures for acceptance of the Offer.

On behalf of the board of
South China Holdings Limited
Cheung Choi Ngor
Executive Director

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central, Central
Hong Kong

10 September 2014

To the Independent Shareholders

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY CCB INTERNATIONAL CAPITAL LIMITED ON BEHALF OF ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN SOUTH CHINA HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

The Company and the Offeror jointly announced on 25 June 2014, among other things, that on 30 April 2014 (after trading hours), the Vendors, the Offeror and the Guarantor entered into the Share Purchase Agreement, pursuant to which the Vendors agreed to sell and the Offeror agreed to acquire the Sale Shares, being 1,185,210,894 Shares in aggregate, at a total consideration of HK$325,044,087 (representing a purchase price of approximately HK$0.27425 per Sale Share). The Sale Shares represent approximately 65% of the existing issued share capital of the Company immediately prior to Share Purchase Completion.

Share Purchase Completion took place on 4 September 2014.

Upon Share Purchase Completion, the Offeror became the owner of approximately 65% of the existing issued share capital of the Company, and accordingly, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code.

This letter sets out, among other things, the details of the Offer, information on the Offeror and the intentions of the Offeror regarding the Group. The terms of the Offer and the procedures of acceptances are set out in this letter and Appendix I to this Composite Document and the Form of Acceptance.

Independent Shareholders are strongly advised to carefully consider the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as set out in this Composite Document before reaching a decision as to whether or not to accept the Offer.

THE OFFER

Principal terms of the Offer

CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, hereby makes the Offer for all the issued Shares (other than those owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the terms set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share . . . . HK$0.27425 in cash

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made (excluding the right to the Special Dividend). In this connection, the record date for ascertaining the entitlement to the Special Dividend fell on 3 September 2014. Payment of such Special Dividend is intended to be made on or about 15 September 2014. For the avoidance of doubt, for the Shareholders who will be entitled to receive the Special Dividend, acceptance of the Offer shall not prejudice their entitlement to receive such Special Dividend.

The Offer will extend to all Shares in issue on the date on which the Offer is made, other than those Shares held by the Offeror and parties acting in concert with it.

Acceptance of the Offer shall be unconditional and irrevocable and shall not be capable of being withdrawn, except as permitted under the Takeovers Code.

Comparisons of value

The Offer Price of HK$0.27425 is approximately equal to the price per Sale Share payable by the Offeror under the Share Purchase Agreement and represents:

(i) a discount of approximately 27.83% to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on 24 April 2014, being the last Business Day prior to the commencement of the Offer Period;

(ii) a discount of approximately 55.77% to the closing price of HK$0.62 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(iii) a discount of approximately 42.26% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 40.77% to the average closing price of HK$0.463 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 35.77% to the average closing price of HK$0.427 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Trading Day;

(vi) a discount of approximately 36.37% to the average closing price of HK$0.431 per Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;

(vii) a discount of approximately 38.23% to the average closing price of HK$0.444 per Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day;

(viii) a discount of approximately 20.55% to the price of HK$0.3452 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on 24 April 2014, being the last Business Day prior to the commencement of the Offer Period);

(ix) a discount of approximately 37.70% to the price of HK$0.4402 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Last Trading Day);

(x) a discount of approximately 35.95% to the price of HK$0.4282 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the average closing price of HK$0.463 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day);

(xi) a discount of approximately 30.07% to the price of HK$0.3922 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the average closing price of HK$0.427 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Trading Day);

(xii) a discount of approximately 30.78% to the price of HK$0.3962 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the average closing price of HK$0.431 per Share as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day);

(xiii) a discount of approximately 32.98% to the price of HK$0.4092 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the average closing price of HK$0.444 per Share as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day);

(xiv) a premium of approximately 133.60% over the audited net asset value of approximately HK$0.1174 per Share as at 31 December 2013; and

(xv) a premium of approximately 159.22% over the unaudited net asset value of approximately HK$0.1058 per Share as at 30 June 2014.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.89 per Share on 29 July 2014 and 5 August 2014 and HK$0.38 per Share on 23, 24, 25 April 2014 and 2, 7 July 2014, respectively.

Total consideration for the Offer

As at the Latest Practicable Date, there were 1,823,401,376 Shares in issue. As at the Latest Practicable Date, the Offeror and parties acting in concert with it owned 1,185,210,894 Shares. Accordingly, 638,190,482 Shares are subject to the Offer and the total consideration of the Offer would approximately HK$175,023,739.69 based on the Offer Price.

Financial resources available to the Offeror

The Offeror intends to finance the consideration payable by the Offeror under the Offer by the CCBIS Facility. The Offeror does not intend that the payment of interest on, repayment of or security for any liability will depend to any significant extent on the business of the Group. CCBI, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer as described above.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven Business Days (as defined under the Takeovers Code) after the date on which the duly completed acceptances of the Offer and the relevant documents of title of the Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid in accordance with the Takeovers Code.

Effect of accepting the Offer

The Offer is unconditional.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made (excluding the right to the Special Dividend). In this connection, the record date for ascertaining the entitlement to the Special Dividend fell on 3 September 2014. Payment of such Special Dividend is intended to be made on or about 15 September 2014. For the avoidance of doubt, for the Shareholders who will be entitled to receive the Special Dividend, acceptance of the Offer shall not prejudice their entitlement to receive such Special Dividend.

Acceptance of the Offer by any Shareholder will be deemed to constitute a warranty by such person that all Shares sold by such person under the Offer are free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions (other than the Special Dividend) declared, made or paid, if any, on or after the date on which the Offer is made. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Hong Kong stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Offer at a rate of 0.1% (or part thereof) of the consideration payable in respect of the relevant acceptance by the Shareholders or if higher, the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Offer. The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Shares and will arrange for the payment of the stamp duty in connection with such sales and purchases.

Further terms of the Offer

Further terms of the Offer including, among other things, procedures for acceptance and settlement, the acceptance period and taxation matters are set out in Appendix I to this Composite Document and in the Form of Acceptance.

Dealing and interests in the Company's securities

Save for the Sale Shares acquired under the Share Purchase Agreement and held as at the Latest Practicable Date and the Share Charge, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them have not dealt in nor do they have any shareholding interest in or control any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

The Offeror confirms that as at the Latest Practicable Date,

(i) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Offer;

(ii) there was no outstanding derivative in respect of securities in the Company which had been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;

(iii) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offer (as referred to in note 8 to Rule 22 of the Takeovers Code);

(iv) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;

(v) save for the Share Purchase Agreement, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them was a party which related to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(vi) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or any person acting in concert with any of them has borrowed or lent.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (a) immediately before Share Purchase Completion and (b) immediately after Share Purchase Completion and as at the Latest Practicable Date:

	Immediately before Share Purchase Completion		**Immediately after Share Purchase Completion and as at the Latest Practicable Date**	
	Number of Shares held	*Approximate % of Shares in issue*	*Number of Shares held*	*Approximate % of Shares in issue*
The Offeror and its concert parties	–	–	1,185,210,894	65
Mr. Ng *(Note)*	71,652,200	3.94	71,652,200	3.94
The Vendors *(Note)*	1,272,529,612	69.78	87,318,718	4.78
Mr. Ng and its concert parties	1,344,181,812	73.72	158,970,918	8.72
Public	479,219,564	26.28	479,219,564	26.28
Total	1,823,401,376	100.00	1,823,401,376	100.00

Note: *As at the Latest Practicable Date, Parkfield Holdings Limited, Fung Shing Group Limited and Ronastar Investments Limited are wholly owned by Mr. Ng; Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng. Mr. Ng is also a director of each of Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade.*

INFORMATION ON THE GROUP

Details of the information on the Group are set out in the "Letter from the Board" to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability on 3 July 2013. The Offeror is an investment holding company. As at the Latest Practicable Date, it does not have any business activities save for the holding of the Sale Shares. Its entire issued share capital is beneficially and directly held by Mr. Shi.

Mr. Shi, aged 45, is the founder and sole director of the Offeror. Mr. Shi graduated from the Hebei University of Architecture in 1989. He has over 15 years of experience in property development and he is a qualified engineer in the PRC. Mr. Shi is the director of Orient Victory Group HK Holdings Limited (東勝集團香港控股公司) and the founder, shareholder and chairman of Shijiazhuang Orient Victory Investment Group Limited# (石家莊市東勝投資集團有限公司), which is principally engaged in property development, including the development of residential properties, commercial properties, properties and ancillary facilities for the elderly, as well as an ecological park and a cultural park in the PRC.

Mr. Shi is the vice chairman of the China Real Estate Industry Association and a consultant of its Special Committee for China Urban Development, Special Committee for Elderly Residential Area and Special Committee for China Small Town Development. Mr. Shi is the standing vice president of Hebei Chamber of Commerce in Hong Kong and director of its Ecological Industry Committee. At the same time, he is the vice president of Shijiazhuang General Chamber of Commerce and a member of the 11th Hebei Committee of the Chinese People's Political Consultative Conference.

Mr. Shi is optimistic about the prospects of the Remaining Business (including the Travel Agent Business (Corporate) and the Jewellery Business) because he considers that (i) Four Seas has established strong business relationships and experience over its long years of operation; (ii) Hong Kong's international transport connectivity and its high-spending and well-travelled population provides an ideal operating environment for travel services operators, as reflected in the positive growth in transaction volume since April 2014 according to the statistics released by the International Air Transport Association; and (iii) consumer demand for jewellery in the PRC has sustained a high growth rate in recent years.

Mr. Shi believes that his extensive management experience gained from his property development business will be applicable and beneficial to the operation of the Group in that it will help the Group to enhance its overall business management efficacy and formulate business plans and strategies for the long-term development of the Group.

As at the Latest Practicable Date, the Offeror owned 1,185,210,894 Shares, being the Sale Shares acquired under the Share Purchase Agreement. Save for the Sale Shares acquired under the Share Purchase Agreement and held as at the Latest Practicable Date and the Share Charge, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them have not dealt in nor do they have any shareholding interest in or control any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

INTENTIONS OF THE OFFEROR IN RELATION TO THE GROUP

Business

The Offeror intends to continue the business of the Remaining Group. Save as contemplated under the Disposal Agreement, the Offeror has no intention to dispose of the Company's existing businesses. The Offeror expects that the Company would need to focus on the smooth transition of the management of the business of the Group following Share Purchase Completion. The Offeror will, following the close of the Offer, conduct a more detailed review on the business operations of the Group for the purpose of formulating long-term business plans and strategies and exploring other business opportunities for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group in order to enhance its profitability. As at the Latest Practicable Date, the Offeror had no plan for any acquisition of assets and/or business by the Company. The Remaining Group has an established business operation, therefore the Offeror has no plan to introduce major changes to the Remaining Business after Share Purchase Completion. As at the Latest Practicable Date, the Offeror had no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the fixed assets of the Remaining Group other than in its ordinary course of business. The Offeror considers that as the Remaining Business has a stable income base and promising prospects in view of the factors set out under the section "Information on the Offeror" above, the acquisition of the Sale Shares and the Offer are in its long-term commercial interest.

Proposed change of the Board composition

The Board is currently made up of nine Directors, comprising (1) Mr. Ng, Mr. Richard Howard Gorges, Ms. Cheung 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. Pursuant to the terms of the Share Purchase Agreement, the Vendors shall cause such Directors as may be notified by the Offeror to the Vendors to resign as Directors with effect from the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code or by the SFC. It is expected that all the Directors will resign after the close of the Offer.

In addition, pursuant to the terms of the Share Purchase Agreement, the Vendors shall cause such persons as the Offeror may nominate to be validly appointed as Directors and/or directors of the Remaining Group with effect from the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code or by the SFC. The Offeror intends to nominate Mr. Shi, Mr. Wang Jianhua, Ms. Xu Yongmei, Mr. Zhou Jiangyong, Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wing Chak, Waltery as new Directors to the Board with effect from the date of this Composite Document. A further announcement will be made on any further proposed change of the composition of the Board. Any changes to the Board composition will be made in compliance with the Takeovers Code and the Listing Rules.

Biographies of new Directors to be nominated by the Offeror

The biography of Mr. Shi is set out in the paragraph headed "Information on the Offeror" in this letter.

Mr. Wang Jianhua (王建華) ("Mr. Wang"), aged 51, will be appointed as an executive director of the Company. Mr. Wang holds a master's degree in business administration from the Pacific States University and is a qualified accountant in the PRC. He is currently working in Shijiazhuang Orient Victory Investment Group Limited# (石家莊市東勝投資集團有限公司) and has working experience in the finance and investment field in the PRC.

Ms. Xu Yongmei (許永梅) ("Ms. Xu"), aged 42, will be appointed as an executive director of the Company. Ms. Xu graduated from the Hebei Radio and TV University, majoring in financial accounting, in 1996. She completed a course in private equity investment and listed companies advanced research in the School of Continuing Education of Peking University in 2012. Ms. Xu is a qualified accountant in the PRC. She is currently a vice president in Shijiazhuang Orient Victory Investment Group Limited# (石家莊市東勝投資集團有限公司). She also has working experience as finance manager and financial controller in the property development industry.

Mr. Zhou Jiangyong (周江勇) ("Mr. Zhou"), aged 42, will be appointed as a non-executive director of the Company. Mr. Zhou holds a master's degree in communications from the Communication University of China. He is currently the assistant to chairman of Shijiazhuang Orient Victory Investment Group Limited# (石家莊市東勝投資集團有限公司). Prior to that, Mr. Zhou was the chief market operations officer of Tianli (Beijing) Industrial Company Limited# (天力(北京)實業有限公司). He has also worked as the general sales manager (cultural tourism investment) of China Wanda Group.

Mr. Dong Xiaojie (東小傑) ("Mr. Dong"), aged 52, will be appointed as an independent non-executive director of the Company. Mr. Dong graduated from the Hebei Normal University, majoring in mathematics, in 1984. He is currently a director of Shengyuan Investment Risk Consulting Management Co., Limited.

Mr. He Qi (何琦) ("Mr. He"), aged 58, will be appointed as an independent non-executive director of the Company. He has been an independent non-executive director of China Merchants Land Limited, a company listed on the Stock Exchange (stock code: 978), since 2013. He has also been an independent non-executive director of Evergrande Real Estate Group Limited, a company listed on the Stock Exchange (stock code: 3333), since 2009. Mr. He has been serving as the deputy secretary of the China Real Estate Association since 2006.

Mr. Law Wang Chak, Waltery (羅宏澤) ("Mr. Law"), aged 51, will be appointed as an independent non-executive director of the Company. Mr. Law was the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited, a company listed on the Stock Exchange (stock code: 2689) from June 2004 to October 2008 and from August 2008 to October 2008, respectively. Mr Law also served in different key roles such as chief financial officer and vice president of the financial department in four other Hong Kong listed companies for over 12 years. Prior to that, Mr. Law had worked in the audit division of Coopers & Lybrand, now PricewaterhouseCoopers, for more than 5 years. Mr. Law is a fellow member of both the Chartered Association of Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants. Mr. Law is also an associated member of the Institute of Chartered Accountants in England and Wales. Mr. Law has over 27 years of experience in financial audit, financial due diligence reviews, merger and acquisitions, corporate restructuring, accounting and corporate financing. Mr. Law graduated from the London School of Economics and Political Science, the University of London with a bachelor's degree in economics in 1991 and a master's degree in financial economics in 1995.

Save as disclosed above, the Offeror does not intend to implement any material changes to the existing management of the Group following the close of the Offer.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the Company to remain listed on the Stock Exchange after the close of the Offer. The sole director of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, upon completion of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

IMPORTANT NOTE TO THE SHAREHOLDERS OUTSIDE HONG KONG

The Offer is made in respect of securities of a company incorporated in the Cayman Islands and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions.

The Offeror intends to make the Offer (or any mandatory unconditional cash offer referred to herein) available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Offer (or any mandatory unconditional cash offer referred to herein) to persons not resident in Hong Kong and the ability of Shareholders outside of Hong Kong to participate in the Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The making of the Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdiction. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

TAX IMPLICATIONS

The Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications that may arise from accepting the Offer. It is emphasised that the Offeror, its beneficial owner and parties acting in concert with any of them, the Company, CCBI, CCBIS, the Independent Financial Adviser, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer or any of their respective agents do not accept any responsibility for any tax effect on, or liabilities of, the Independent Shareholders as a result of their acceptance of the Offer.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

Attention of the Overseas Shareholders is drawn to the paragraph headed "Important note to the Shareholders outside Hong Kong" above in this letter.

All documents and remittances to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of the Company. The Offeror, its beneficial owner and parties acting in concert with any of them, the Company, CCBI, CCBIS, the Independent Financial Adviser, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer or any of their respective agents will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in appendices to this Composite Document which form part of this Composite Document.

You are reminded to carefully read the "Letter from the Board", the advice of the Independent Board Committee, the recommendation of the Independent Financial Adviser and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,
For and on behalf of
CCB International Capital Limited

Simon Lee	**JiaLu Li**
Managing Director,	*Director,*
Head of Investment Banking	*Head of Corporate Advisory Team*

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

10 September 2014

To the Independent Shareholders

Dear Sir/Madam,

MANDATORY UNCONDITIONAL CASH OFFER BY CCB INTERNATIONAL CAPITAL LIMITED ON BEHALF OF ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN SOUTH CHINA HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We refer to this Composite Document dated 10 September 2014 jointly issued by the Company and the Offeror, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in this Composite Document.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you (i.e. Independent Shareholders) as to whether or not the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. Hercules Capital Limited has been appointed as the Independent Financial Adviser to make recommendation to us in respect of whether the terms of the Offer are fair and reasonable and as to acceptance of the Offer. Details of its advice and recommendation, together with the principal factors and reasons which it has considered before arriving at such recommendation, are set out in the "Letter from the Independent Financial Adviser" on pages 30 to 48 of this Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from CCBI" and the additional information set out in the appendices to this Composite Document.

Taking into account the terms of the Offer and the independent advice from the Independent Financial Adviser, we do not consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders not to accept the Offer. However, taking into account the advice of the Independent Financial Adviser, the Independent Shareholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and consider accepting the Offer rather than selling their Shares in the open market if the net proceeds from the sale of their Shares in open market after deducting all transaction costs are less than the net amount to be received under the Offer. Independent Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" set out in this Composite Document.

Yours faithfully,
For and on behalf of the Independent Board Committee
South China Holdings Limited

Mr. David Michael Norman *Non-executive Director*	**Mr. David John Blackett** *Independent non-executive Director*	**Mrs. Tse Wong Siu Yin Elizabeth** *Independent non-executive Director*	**Mr. Cheng Hong Kei** *Independent non-executive Director*

The following is the text of a letter of advice from Hercules Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, regarding its advice on the Offer prepared for the purpose of incorporation into this Composite Document.

Hercules

Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

10 September 2014

To the Independent Board Committee and Independent Shareholders

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY CCB INTERNATIONAL CAPITAL LIMITED ON BEHALF OF ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED FOR ALL THE ISSUED SHARES IN SOUTH CHINA HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY ORIENT VICTORY REAL ESTATE GROUP HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our engagement as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Offer, details of which are set out in the letter from CCBI and the letter from the Board contained in the Composite Document dated 10 September 2014 to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined elsewhere in the Composite Document unless the context requires otherwise.

On 30 April 2014 (after trading hours), the Vendors, the Offeror and the Guarantor entered into the Share Purchase Agreement, pursuant to which the Offeror agreed to purchase, and the Vendors agreed to sell, the Sale Shares, being 1,185,210,894 Shares in aggregate, at a total consideration of HK$325,044,087 (representing a purchase price of approximately HK$0.27425 per Sale Share). The Sale Shares represent approximately 65% of the existing issued share capital of the Company immediately prior to Share Purchase Completion.

Upon Share Purchase Completion, which took place on 4 September 2014, the Offeror became the owner of approximately 65% of the existing issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). CCBI is making the Offer on behalf of the Offeror.

An Independent Board Committee (comprising all non-executive Directors except Ms. Ng Yuk Mui Jessica) has been established by the Company to advise the Independent Shareholders, among other things, as to whether the Offer is fair and reasonable. Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee should comprise all non-executive Directors. However, as Ms. Ng Yuk Mui Jessica is the daughter of Mr. Ng, who has material interests in the Offer, Ms. Ng Yuk Mui Jessica was considered not appropriate to be appointed to the Independent Board Committee to consider the Offer. Accordingly, the Independent Board Committee comprises Mr. David Michael Norman, Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei only. We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and whether the Independent Shareholders should accept the Offer.

We are not associated with the Company, the Offeror, the Vendors or their respective associates and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fee or benefit from the Company, the Offeror or the Vendors or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinion expressed, by the Directors, management of the Company and the Offeror and have assumed that such information and statements, and representations made to us or referred to in the Composite Document are true, accurate and complete in all material respects as of the Latest Practicable Date. Should there be any material change in such information, statements or representations which may affect our opinion after the Latest Practicable Date (up to the end of the Offer Period), the Shareholders would be notified of such changes as soon as possible. The Directors have jointly and severally accepted full responsibility for the accuracy of the information (other than those in relation to the Offeror, its ultimate beneficial owner and parties acting in concert with them) contained in the Composite Document and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than opinions expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. The sole director of the Offeror also accepted full responsibility for the accuracy of the information (other than those in relation to the Group, the Vendors and parties acting in concert with any of them) contained in the Composite Document and confirmed, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in the Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors, management of the Company or the Offeror, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Share Purchase Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion.

We have not considered the tax implications on the Independent Shareholders arising from acceptances or non-acceptances of the Offer as these depend on their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on, or liability of, any person resulting from his or her acceptance or non-acceptance of the Offer. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealings, should consult their own professional advisers without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the Offer, we have considered the following principal factors and reasons:

1. Background to and principal terms of the Offer

On 30 April 2014 (after trading hours), the Vendors, the Offeror and the Guarantor entered into the Share purchase Agreement pursuant to which the Offeror agreed to purchase, and the Vendors agreed to sell, the Sale Shares, being 1,185,210,894 Shares in aggregate, at a total consideration of HK$325,044,087 (representing a purchase price of approximately HK$0.27425 per Sale Share). The Sale Shares represent approximately 65% of the existing issued share capital of the Company immediately prior to Share Purchase Completion.

Immediately after Share Purchase Completion, the Offeror became the owner of approximately 65% of the existing issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional general offer in cash for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) upon Share Purchase Completion. Accordingly, CCBI is making the Offer on behalf of the Offeror for all of the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it on the following basis:

For each Offer Share . . . . HK$0.27425 in cash

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other condition. Further details of the terms and procedures of acceptances of the Offer are set out in the Letter from CCBI and Appendix I to the Composite Document.

As at the Latest Practicable Date, there were 1,823,401,376 Shares in issue and the Company had no outstanding options, warrants, derivatives or convertible or other exchangeable securities that carry a right to subscribe for, convert or exchange into, Shares and has not entered into any agreement for the issue of such warrants, options, derivatives or securities.

The Offer Price of HK$0.27425 per Share is approximately equal to the price per Sale Share payable by the Offeror under the Share Purchase Agreement. As stated in the Letter from CCBI, as the Offeror and parties acting in concert with it owned 1,185,210,894 Shares as at the Latest Practicable Date, 638,190,482 Shares are subject to the Offer and the total consideration of the Offer would be approximately HK$175,023,739.69 based on the Offer Price.

The Offer Shares to be acquired under the Offer shall be fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, including the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made (excluding the right to the Special Dividend). For the avoidance of doubt, for the Shareholders who will be entitled to receive the Special Dividend, acceptance of the Offer shall not prejudice their entitlement to receive such Special Dividend.

2. Financial performance of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the sale of air-tickets and other travel related services, trading of jewellery products, and the Group's management services and other investment holding. The financial information of the Former Group for the two years ended 31 December 2013 and six months ended 30 June 2014, as extracted from the 2013 annual report and 2014 interim results announcement of the Company respectively, is summarised as follows:

Table 1 – Consolidated financial information of the Former Group

	For six months ended 30 June		For the year ended 31 December	
	2014	**2013**	**2013**	**2012**
	HK'000	*HK'000*	*HK'000*	*HK'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue				
– Travel related and other services	51,697	55,365	114,519	103,096
– Trading and manufacturing of jewellery	28,350	52,911	86,037	61,073
	80,047	108,276	200,556	164,169
(Loss)/profit before tax	(12,517)	17,408	27,406	24,007
(Loss)/profit for the period/year attributable to owners of the Company	(13,816)	14,146	21,812	19,154

	As at 30 June 2014
	HK$'000
	(unaudited)
Non-current assets	121,357
Current assets	383,365
Current liabilities	247,857
Non-current liabilities	63,946
Net assets attributable to owners of the Company	172,760

For the year ended 31 December 2013, the revenue of the Former Group amounted to approximately HK$200.6 million, representing an increase of approximately 22.2% as compared to the previous year. Substantial increases in revenue were recorded for both segments of travel related and other services and trading and manufacturing of jewellery. The increase in revenue of approximately 11.1% of the travel related and other services segment was mainly attributable to the introduction of several new large-scale projects regarding the Travel Agent Business (Corporate) and the change in pricing policy for the wholesale of air tickets in the PRC by increasing the selling price of the air tickets. The increase in wholesale price of air tickets has also brought with an improvement in the profit margin of the business of travel related and other services. The business of trading and manufacturing of jewellery segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in the flagship store and counters of large department stores in Nanjing. Owing to the slide of the international gold price, the demand for gold products was boosted and hence the segment revenue increased by approximately 40.9% for the year ended 31 December 2013. However, the gross profit margin of the trading and manufacturing of jewellery segment decreased sharply from approximately 21.4% for the year ended 31 December 2012 to approximately 14.1% for the year ended 31 December 2013 as a result of the decrease in gold price. Despite the drop in gross profit margin of the jewellery segment, the total gross profit of the Former Group increased by approximately HK$9.5 million to approximately HK$123.4 million for the year ended 31 December 2013. Combining the effects of increases in other income, fair value gain on financial assets at fair value through profit or loss and administrative expenses of approximately HK$2.6 million, HK$5.1 million and HK$14.3 million respectively, the profit before tax of the Former Group increased from approximately HK$24.0 million for the year ended 31 December 2012 to approximately HK$27.4 million for the year ended 31 December 2013. For the year ended 31 December 2013, the profit of the Former Group attributable to owners of the Company amounted to approximately HK$21.8 million, representing an increase of approximately 13.9% as compared to the previous year.

For the six months ended 30 June 2014, the revenue of the Former Group amounted to approximately HK$80.0 million, representing a decrease of approximately 26.1% as compared to the corresponding period in 2013. The Former Group also recorded a loss after tax attributable to owners of the Company of approximately HK$13.8 million for the six months ended 30 June 2014 as opposed to a profit after tax attributable to owners of the Company of approximately HK$14.1 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 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, an increase in legal costs and decrease in profit from the Former Group's travel business for the six months ended 30 June 2014 as compared to that for the corresponding period in 2013. The segment of travel related and other services recorded a 6.6% decrease in revenue to approximately HK$51.7 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, the segment of trading and manufacturing of jewellery recorded a 46.4% decrease in revenue as the high demand for gold products driven by the slide of the international gold price in the first half of 2013 did not sustain in the first half of 2014.

As at 30 June 2014, the non-current assets of the Former Group amounted to approximately HK$121.4 million, of which approximately HK$7.4 million were property, plant and equipment, approximately HK$38.9 million were investment properties, approximately HK$43.4 million were available-for-sale financial assets and approximately HK$28.6 million were other non-current assets, while the current assets of the Former Group amounted to approximately HK$383.4 million, which mainly consisted of inventories of approximately HK$27.8 million, trade and other receivables of approximately HK$282.7 million, financial assets at fair value through profit or loss of approximately HK$34.5 million and cash and cash equivalents of approximately HK$33.1 million. The non-current liabilities of the Former Group, being advances from shareholders, amounted to approximately HK$63.9 million as at 30 June 2014. The current liabilities of the Former Group as at 30 June 2014 amounted to approximately HK$247.9 million, which mainly comprised trade and other payables of approximately HK$186.5 million and interest-bearing bank and other borrowings of approximately HK$58.3 million. As at 30 June 2014, the net asset value of the Former Group amounted to approximately HK$192.9 million and the net assets attributable to owners of the Company amounted to approximately HK$172.8 million.

On 30 April 2014 (after trading hours), the Company and Tremendous Success Holdings Limited entered into the Disposal Agreement, pursuant to which the Company agreed to sell, and Tremendous Success Holdings Limited agreed to purchase, the entire issued share capital of South China (BVI) Limited, for a total consideration of HK$95,466,000, details of which were set out in the circular of the Company dated 12 August 2014. The Disposal was completed simultaneously with the Share Purchase Completion on 4 September 2014. The resolution relating to the Special Dividend was passed on 29 August 2014 and the payment of such Special Dividend is intended to be made on or about 15 September 2014.

The unaudited pro forma financial information of the Remaining Group for year ended 31 December 2013 as set out in Appendix III to the Composite Document is summarised as follows:

Table 2 – Unaudited pro forma financial information of the Remaining Group

	For the year ended 31 December 2013 *HK$'000*
Revenue	88,451
Profit before tax	13,112

	As at 31 December 2013 *HK$'000*
Non-current assets	48,391
Current assets	119,945
Current liabilities	33,147
Net assets attributable to owners of the Company	129,328

3. Future prospects of the Group

As set out in the section headed "Financial and trading prospects of the Remaining Group" in Appendix III to the Composite Document, it is expected that the Remaining Group would need to focus on the smooth transition of its management through the arrangements under the Service Agreement following the Disposal, thus it is not expected that the Remaining Group would have any major change to its current business model, including its business focus, product types, target customers and supply chain.

With reference to the report titled "GBTA BTI™ Outlook – 1st Half 2014 China" issued by Global Business Travel Association, an independent business travel and meetings organisation providing networking, industry research, education, career advancement and industry advocacy services to its members from business travel industry, in 2014, the global business travel sales has recorded a rising trend since 2009 and reached US$1.119 trillion in 2013, representing an increase of approximately 5.4% as compared to 2012. It is anticipated that the global business travel sales will continue to grow and the growth rate will be approximately 8.2%, 7.6%, 7.2% and 7.1% for the year 2014, 2015, 2016 and 2017 respectively. Furthermore, World Travel & Tourism Council, the forum for business leaders in the travel and tourism industry with chief executives of the 100 foremost travel and tourism companies as its members producing annual report to quantify, compare and forecast the economic impact of travel and tourism industry for over 20 years, published the report of "Travel & Tourism economic Impact 2014 Hong Kong" in 2014, stating that business travel spending in Hong Kong is expected to grow by approximately 4.8% in 2014 to approximately HK$85.8 billion and rise by approximately 4.1% per annum thereafter to HK$128.2 billion in 2024. The Directors believe that the performance of the Travel Agent Business (Corporate) of the Remaining Group may be able to match with the expected industry growth and are optimistic about the future development of the Travel Agent Business (Corporate) of the Remaining Group.

Meanwhile, owing to the industrial trend of shortening the credit term for travel agents by airlines and wholesalers, the business environment for small travel agents with limited working capital is being more difficult. The Directors consider that it is an opportunity for the Remaining Group to increase its customer base and further develop the Travel Agent Business (Corporate) by capturing the customers from those small agents. The Company will also continue to strengthen the investments in sales and marketing to expand and diversify its business product types such as MICE (Meetings, Incentives, Conferences and Exhibitions) and hotel booking by allocating resources to promotion, marketing and technology. In addition, the Company 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 further strengthen its 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. The Company 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. Given a positive outlook of the business travel industry, the Directors believe, and we concur with their view, that the Travel Agent Business (Corporate) of the Remaining Group shall have potential for further improvement.

Based on the statistics released by the National Bureau of Statistics of China, the gross domestic product ("GDP") of the PRC for the six months ended 30 June 2014 was approximately RMB26,904.4 billion, representing an increase of approximately 8.5% over the last corresponding period. The OECD Economic Outlook, Volume 2014 Issue 1 issued by the Organisation for Economic Cooperation and Development revealed that the GDP growth in the PRC fell in early 2014 as investment slowed down in response to tighter credit conditions. However, investment will continue to be supported by a greater emphasis on urbanisation needs and the opening up of sectors previously off limits to private investment. The OECD Economic Outlook expected that the real GDP growth rate would be approximately 7.4% in 2014 and 7.3% in 2015. Despite a slowdown in GDP growth rate in the PRC in early 2014, the statistics released by the National Bureau of Statistics of China showed that the per capita disposable income of urban population in the PRC for the three months ended 31 March 2014 further increased to approximately RMB8,155, representing a growth of approximately 9.8% over the same period of the previous year. According to the latest statistics collected from the country's 50 major retailers and monitored by China National Commercial Information Center, an information center authorised by National Bureau of Statistics of China to carry out statistical work on commercial service sector, the retail sales of gold and silver jewellery in the PRC increased by approximately 27.3% for the year 2013 as compared to the previous year.

The management of the Company will continue to look for high potential points of sale in Nanjing, China and the surrounding cities. In addition, the Company will strengthen and consolidate the scale of sales and profitability of the existing points of sale in the coming years in order to achieve improvement in revenue and profit.

Given that the economy in the PRC continues to grow and disposable income of urban population in the PRC continues to increase in 2014, the Directors remain optimistic on the market outlook of the jewellery industry in the PRC and we concur with their view that in the absence of any unforeseeable adverse factors that may have a substantial adverse impact on the economy of the PRC, the outlook of the Jewellery Business of the Remaining Group shall remain positive in the foreseeable future.

4. Analysis on the Offer Price

The Offer Price of HK$0.27425 is approximately equal to the price per Sale Share payable by the Offeror under the Share Purchase Agreement and represents:

(i) a discount of approximately 55.77% to the closing price of HK$0.62 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a discount of approximately 42.26% to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a discount of approximately 40.77% to the average closing price of HK$0.463 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 35.77% to the average closing price of HK$0.427 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Trading Day;

(v) a discount of approximately 27.83% to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on 24 April 2014, being the last Business Day prior to the commencement of the Offer Period;

(vi) a discount of approximately 37.70% to the price of HK$0.4402 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Last Trading Day);

(vii) a discount of approximately 35.95% to the price of HK$0.4282 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the average closing price of HK$0.463 per Share as quoted on the Stock Exchange for the five trading days immediately prior to and including the Last Trading Day);

(viii) a discount of approximately 30.07% to the price of HK$0.3922 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the average closing price of HK$0.427 per Share as quoted on the Stock Exchange for the ten trading days immediately prior to and including the Last Trading Day);

(ix) a discount of approximately 20.55% to the price of HK$0.3452 per Share (being a theoretical trading price assuming the Special Dividend of approximately HK$0.0348 per Share had been declared and paid with reference to the closing price of HK$0.38 per Share as quoted on the Stock Exchange on 24 April 2014, being the last Business Day prior to the commencement of the Offer Period);

(x) a premium of approximately 133.60% over the audited net asset value of the Group as at 31 December 2013 of approximately HK$0.1174 per Share;

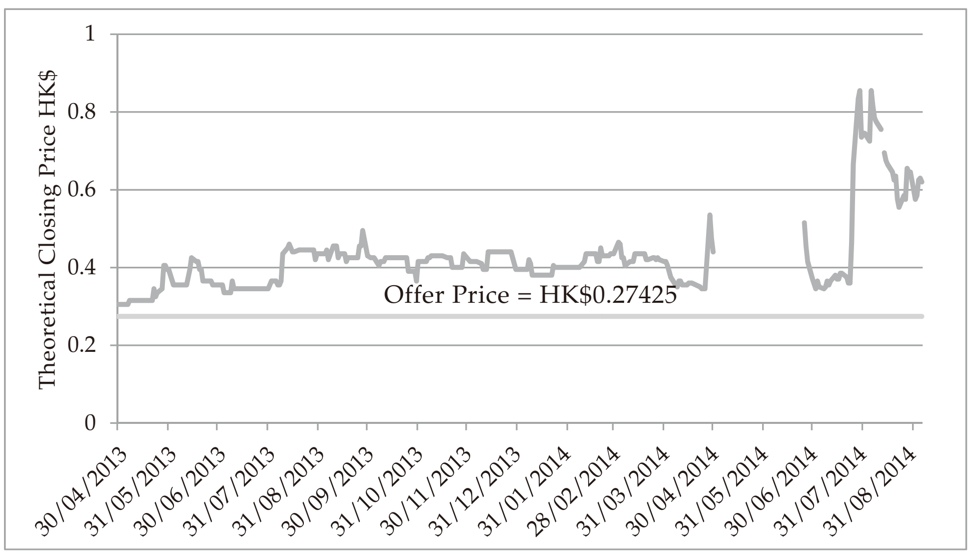
(xi) a premium of approximately 159.22% over the unaudited net asset value of the Group as at 30 June 2014 of approximately HK$0.1058 per Share; and

(xii) a premium of approximately 286.81% over the unaudited net asset value of the Remaining Group attributable to the owners of the Company as at 31 December 2013 of approximately HK$0.0709 per Share, which was calculated based on the unaudited net asset value of the Remaining Group attributable to the owners of the Company as at 31 December 2013 of approximately HK$129.3 million as set out in the unaudited pro forma financial information of the Group in Appendix III to the Composite Document, assuming that the Disposal and the payment of the Special Dividend had been taken place at 31 December 2013, and the total number of Shares in issue as at the Latest Practicable Date of 1,823,401,376 Shares.

a. Historical share price of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the movements in (i) the theoretical closing price of the Shares (the "Theoretical Closing Price"), being the theoretical trading price of the Shares calculated by deducting the Special Dividend of approximately HK$0.0348 per Share from the closing price of the Shares as quoted on the Stock Exchange on the relevant trading days, during the period from 30 April 2013, being twelve months immediately preceding the Last Trading Day, to 3 September 2014, the record date for ascertaining the entitlement to the Special Dividend; and (ii) the closing prices of the Shares during the period from 4 September 2014 to the Latest Practicable Date (collectively, the "Review Period"). We consider that the market price of the Shares after the publication of the Joint Announcement on 25 June 2014 should have taken into account the market response to the Disposal, and by taking off the amount for the Special Dividend, the Theoretical Closing Prices would then have reflected the effects of both the Disposal and the payment of the Special Dividend. Meanwhile, the closing prices of the Shares after 3 September 2014 are the ex-dividend prices and thus no deductions of the Special Dividend are required. Therefore, the Theoretical Closing Prices for the period from 25 June 2014 to 3 September 2014 and the closing prices of the Shares during the period from 4 September 2014 to the Latest Practicable Date can serve as a benchmark for assessing the Offer Price while the Theoretical Closing Prices before the publication of the Joint Announcement on 25 June 2014 can illustrate the general trend of the movements in the Theoretical Closing Prices. The Theoretical Closing Prices for the period from 30 April 2013 to 3 September 2014 and the closing prices of the Shares for the period from 4 September 2014 to the Latest Practicable Date are depicted in Chart 1 below:

Chart 1 – Theoretical Closing Prices of the Shares for the period from 30 April 2013 to 3 September 2014 and the closing prices of the Shares for the period from 4 September 2014 to the Latest Practicable Date



Source: *the website of the Stock Exchange and Yahoo Finance*

As illustrated in Chart 1, the Shares were traded above the Offer Price throughout the Review Period with an average Theoretical Closing Price of approximately HK$0.4250 and the highest and lowest Theoretical Closing Prices of HK$0.8552 and HK$0.3052 respectively. The highest and lowest closing prices of the Shares during the period of 4 September 2014 and the Latest Practicable Date were HK$0.63 and HK$0.62 respectively. At the start of the Review Period, the Theoretical Closing Price was showing an upward trend. The Theoretical Closing Price increased from HK$0.3052 to HK$0.4052 during the period from 30 April 2013 to 28 May 2013. Subsequently the Theoretical Closing Price dropped gradually to HK$0.3552 and then rebounded to HK$0.4252 on 14 June 2013. The Theoretical Closing Price fluctuated in a range from HK$0.3352 to HK$0.4952 during the period from 14 June 2013 to 24 April 2014. On 25 April 2014, the Company announced that certain of its Shareholders, who held a total of approximately 73.72% of the issued share capital of the Company, were in preliminary negotiation with an independent third party in relation to a possible transaction which might lead to a change in control of the Company and a mandatory general offer under the Takeovers Code. After that, the Theoretical Closing Price increased sharply and reached the one-year highest level of HK$0.5352 on 28 April 2014. Since then, the Theoretical Closing Price of the Shares slid down to HK$0.4402 on 30 April 2014, being the Last Trading Day. The trading of Shares was halted from 2 May 2014 to 24 June 2014 pending the release of the Joint Announcement. After the trading resumption, the Theoretical Closing Price increased from HK$0.4402 on 30 April 2014 (the day before the trading halt) to HK$0.5152 on 25 June 2014, showing an increase of approximately 17.0%, then decreased steadily to the lower level of HK$0.3452 on 2 July 2014. Subsequently, the Theoretical Closing Price of the Shares fluctuated between HK$0.3452 and HK$0.3852 during the period from 3 July 2014 to 23 July 2014 before it rose to HK$0.4652 on 24 July 2014. On 25 July 2014, the Company published an announcement stating that the Directors were not aware of any reason for the recent increase in the price and trading volume of Shares of the Company. However, the Theoretical Closing Price increased further to HK$0.8552, the highest level of the Review Period, on 29 July 2014. The Theoretical Closing Price then decreased gradually to HK$0.7252 on 4 August 2014. On 5 August 2014, the Theoretical Closing Price rebounded to HK$0.8552 again. The Theoretical Closing Price declined continuously in the following trading days and reached HK$0.7552 on 11 August 2014. On 12 August 2014, the trading of the Shares was halted and the Company published an announcement in relation to the profit warning for the six months ended 30 June 2014. After the publication of the profit warning, the Theoretical Closing Price fluctuated between HK$0.5552 and HK$0.6952 and was HK$0.6252 on 3 September 2014. The ex-dividend closing price of the Shares on 4 September 2014 was HK$0.63 and it decreased to HK$0.62 on the Latest Practicable Date.

Given that the Shares were traded above the Offer Price throughout the Review Period and the Offer Price represents (i) a discount of approximately 35.5% to the average Theoretical Closing Price during the Review Period of approximately HK$0.425; (ii) a discount of approximately 67.9% to the highest Theoretical Closing Price during the Review Period of HK$0.8552; (iii) a discount of approximately 10.1% to the lowest Theoretical Closing Price during the Review Period of HK$0.3052; (iv) a discount of approximately 50.8%to the average Theoretical Closing Price during the period between 25 June 2014, being the first trading day after the publication of the Joint Announcement, and 3 September 2014, the record date for ascertaining the entitlement to the Special Dividend, of approximately HK$0.5572; and (v) a discount of approximately 56.5% and 55.8% to the closing prices of the Shares on 4 September 2014 and the Latest Practicable Date of HK$0.63 and HK$0.62 respectively, we consider that the Offer Price is unattractive and not fair and reasonable so far as the Independent Shareholders are concerned.

b. Historical trading volume of the Shares

The average daily trading volume of the Shares and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in Table 3 below:

Table 3 – Historical average daily trading volume of the Shares

Month	Average daily trading volume	% of average daily trading volume to the total number of issued Shares *(Note 1)*	% of average daily trading volume to the total number of Shares in public hands *(Note 2)*
2013			
April *(Note 3)*	0	0.0000%	0.0000%
May	98,495	0.0054%	0.0206%
June	61,589	0.0034%	0.0129%
July	12,955	0.0007%	0.0027%
August	357,181	0.0196%	0.0745%
September	241,750	0.0133%	0.0504%
October	71,093	0.0039%	0.0148%
November	30,000	0.0016%	0.0063%
December	15,750	0.0009%	0.0033%
2014			
January	14,762	0.0008%	0.0031%
February	256,316	0.0141%	0.0535%
March	78,790	0.0043%	0.0164%
April	7,021,000	0.3850%	1.4651%
May *(Note 4)*	N/A	N/A	N/A
June *(Note 4)*	9,677,250	0.5307%	2.0194%
July	10,191,791	0.5589%	2.1267%
August *(Note 5)*	5,982,700	0.3281%	1.2484%
September *(Note 6)*	10,680,800	0.5858%	2.2288%

Source: the website of the Stock Exchange and Yahoo Finance

Notes:

1. Calculated based on 1,823,401,376 Shares in issue as at the Latest Practicable Date.

2. Calculated based on 479,219,564 Shares held in public hands as at the Latest Practicable Date.

3. Represents trading volume on 30 April 2013, the only trading day of the month falling within the Review Period.

4. Trading of the Shares was halted from 2 May 2014 to 24 June 2014 pending for the release of the Joint Announcement.

5. Trading of the Shares was halted on 12 August 2014 pending for the release of the profit warning announcement.

6. Represents trading volume for the period from 1 September 2014 to 5 September 2014, being the Latest Practicable Date.

Table 3 demonstrates that during the Review Period, the average daily trading volume of the Shares was in the range of approximately 0% to approximately 0.5858% of the total number of issued Shares as at the Latest Practicable Date and approximately 0% to approximately 2.2288% of the total number of Shares held in public hands as at the Latest Practicable Date. The above statistics showed that the liquidity of the Shares was relatively low during the Review Period.

Given the thin trading volume of the Shares in the Review Period, a sufficiently active market may not exist to enable the Shareholders to sell the Shares in bulk quantity without exerting a downward pressure on the price of the Shares in the short term. Therefore, we anticipate that the Shareholders may have difficulties in selling a significant number of Shares in the open market within a short period of time if the same trading pattern of the Shares persists during and after the Offer Period, and consider that the Shareholders should accept the Offer if they wish to realise their investments in a large number of Shares within a short period of time.

c. Comparison with market comparables

In forming our opinion on the Offer Price, we have also considered the commonly adopted comparable approaches in evaluation of a company, namely the price-to-earnings approach, dividends approach and net assets approach. However, given that the Company had not declared any dividend to the Shareholders for the two years ended 31 December 2013, we consider that the dividends approach is not applicable for assessing the value of the Remaining Group. We have tried to compare the price-to-earnings ratio and price-to-book ratio of the Remaining Group implied by the Offer Price with those of other companies which (a) are currently listed on the Main Board or Growth Enterprises Market of the Stock Exchange; and (b) are principally engaged in travel-related business and jewellery business. Nevertheless, no comparable companies which meet all the abovementioned criteria were identified by us based on our best effort. Accordingly, neither the price-to-earnings approach nor the net assets approach is applicable for assessing the value of the Remaining Group.

d. Valuation by income approach

We have also considered assessing the value of the Remaining Group by income approach. However, given that valuations using income approach involve various subjective assumptions and parameters which may largely affect the value of the subject, we consider that it is inappropriate to use income approach to assess the value of the Remaining Group.

e. Conclusion

Based on the above analysis and taking into consideration that (i) the Offer Price is lower than the Theoretical Closing Price and the ex-dividend closing price of the Shares throughout the Review Period; (ii) the Offer Price represents a discount of 55.8% to the closing price of the Shares of HK$0.62 per Share as quoted on the Latest Practicable Date; and (iii) the Shareholders may be able to realise their investments in the Company with a higher return by selling the Shares in the open market as compared to accepting the Offer, we consider that the Offer Price is unattractive and not fair and reasonable so far as the Independent Shareholders are concerned.

In view of the volatility of market conditions, Shareholders are reminded to closely monitor the market price of the Shares during the Offer Period as the trading price may or may not sustain at a level higher than the Offer Price during and after the Offer Period. Shareholders should also be aware of the low liquidity of the Shares during the Review Period and keep tabs on the liquidity of the Shares as the Shareholders may be unable to sell the Shares in bulk quantity in the open market within a short period of time if the trading volume of the Shares remains at a low level during and after the Offer Period.

5. Information on the Offeror and its intention regarding the Group

The Offeror is an investment holding company incorporated in the BVI with limited liability on 3 July 2013. As at the Latest Practicable Date, it did not have any business activity save for the holding of the Sale Shares. Its entire issued share capital was beneficially and directly held by Mr. Shi as at the Latest Practicable Date.

Mr. Shi, aged 45, is the founder and the sole director of the Offeror. Mr. Shi graduated from the Hebei University of Architecture in 1989 and has over 15 years of experience in property development and is a qualified engineer in the PRC. Mr. Shi is the director of 東勝集團香港控股公司 (Orient Victory Group HK Holdings Limited) and the founder, shareholder and chairman of 石家莊市東勝投資集團有限公司 (Shijiazhuang Orient Victory Investment Group Limited), which is principally engaged in property development, including the development of residential properties, commercial properties, properties and ancillary facilities for the elderly, as well as an ecological park and a cultural park in the PRC. Mr. Shi is the vice chairman of the China Real Estate Industry Association and a consultant of its Special Committee for China Urban Development, Special Committee for Elderly Residential Area and Special Committee for China Small Town Development. Mr. Shi is the standing vice president of Hebei Chamber of Commerce in Hong Kong and director of its Ecological Industry Committee. Meanwhile, he is the vice president of Shijiazhuang General Chamber of Commerce and a member of the 11th Hebei Committee of the Chinese People's Political Consultative Conference. Having considered Mr. Shi's extensive experience in general corporate management, we concur with his view, that his management experience gained from his property development business will be applicable and beneficial to the operation of the Group in that it will help the Group to enhance its overall business management efficacy and formulate business plans and strategies for the long-term development of the Group.

As at the Latest Practicable Date, the Offeror owned 1,185,210,894 Shares, being the Sale Shares acquired under the Share Purchase Agreement. Save for the Sale Shares acquired under the Share Purchase Agreement and held as at the Latest Practicable Date and the Share Charge, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them have not dealt in nor do they have any shareholding interest in or control any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

The Offeror considers that the Remaining Group has an established business operation and the Remaining Business has a stable income base and promising prospects given that (i) Four Seas has established strong business relationships and experience over its long years of operation; (ii) Hong Kong's international transport connectivity and its high-spending and well-travelled population provides an ideal operating environment for travel services operators; and (iii) the consumer demand for jewellery in the PRC has sustained a high growth rate in recent years, therefore, the acquisition of the Sale Shares and the Offer are in its long-term commercial interest. The Offeror intends to continue the business of the Remaining Group and it has no plan to introduce major changes to the Remaining Business after Share Purchase Completion. Save as contemplated under the Disposal Agreement, the Offeror has no intention to dispose of the Company's existing businesses. The Offeror expects that the Company would need to focus on the smooth transition of the management of the business of the Group following Share Purchase Completion. The Offeror will, following completion of the Offer, conduct a more detailed review on the business operations of the Group for the purpose of formulating long-term business plans and strategies and exploring other business opportunities for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider acquisition of assets and/or business by the Group in order to enhance its profitability. As at the Latest Practicable Date, the Offeror had no plan for any acquisition of assets and/or business by the Company. As at the Latest Practicable Date, the Offeror had no intention to discontinue the employment of the employees (save for a change in the composition of the Board) or to dispose of or re-deploy the fixed assets of the Remaining Group other than in its ordinary course of business.

The Board is currently made up of nine Directors, comprising Mr. Ng, Mr. Richard Howard Gorges, Ms. Cheung and Mr. Ng Yuk Fung Peter as executive Directors; Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive Directors; and Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei as independent non-executive Directors. Pursuant to the terms of the Share Purchase Agreement, the Vendors shall cause such Directors as may be notified by the Offeror to the Vendors to resign as Directors with effect from the earliest time permitted under (or pursuant to any dispensation from) the Takeovers Code or by the SFC. It is expected that all the existing Directors will resign after the close of the Offer. The Offeror intends to nominate Mr. Shi, Mr. Wang Jianhua, Ms. Xu Yongmei, Mr. Zhou Jiangyong, Mr. Dong Xiaojie, Mr. He Qi and Mr. Law Wing Chak Waltery as new Directors to the Board with effect from the date of the Composite Document. The biographies of the new Directors to be nominated by the Offeror are set out in the Letter from CCBI contained in the Composite Document.

Having considered that (i) the Offeror has no intention to introduce major changes to the Remaining Business after Share Purchase Completion; (ii) Ms. Cheung and Mr. Ng Yuk Yeung Paul, who have extensive experiences in the Jewellery Business and the Travel Agent Business (Corporate) (as the case may be), will be retained as the management of the Remaining Business to facilitate the continuous and smooth operation of the Remaining Business; and (iii) the market outlook of the business travel industry and the jewellery industry in the PRC is expected to remain positive in the foreseeable future, we do not expect there will be any material adverse change in the trading position and business prospect of the Remaining Group in the foreseeable future.

RECOMMENDATION

Having considered the principal factors and reasons stated above, in particular (i) the Offer Price is unattractive as it is in deep discount to the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date; and (ii) the market outlook of the Remaining Business is expected to remain positive in the foreseeable future, we are of the view that the terms of the Offer are unattractive and not fair and reasonable so far as the Independent Shareholders are concerned. As such, we recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, not to accept the Offer.

However, Independent Shareholders should also note that (i) although the Offer Price is lower than the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date, it is uncertain whether the trading price of the Shares could be sustained at a level higher than the Offer Price during and after the Offer Period; and (ii) the liquidity of the Shares during the Review Period was thin and it is uncertain whether the liquidity of the Shares could be improved to allow the Independent Shareholders, especially those with relatively sizeable shareholdings, to dispose of their holding in the Shares in the market without exerting downward pressure on the price of the Shares. As such, the Independent Shareholders are reminded that they should carefully and closely monitor the market price and the liquidity of the Shares before the end of the Offer Period and consider accepting the Offer rather than selling their Shares in the open market if the net proceeds from the sale of their Shares in open market after deducting all transaction costs are less than the net amount to be received under the Offer.

Independent Shareholders are also strongly advised that the decision to realise or hold their investments in the Shares is subject to individual circumstances and investment objectives.

The procedures for acceptance of the Offer are set out in Appendix I to the Composite Document and the accompanying Form of Acceptance despatched to the Shareholders on 10 September 2014. The latest time for acceptance of the Offer (unless extended by the Offeror) is 4:00 p.m. on Friday, 3 October 2014. Independent Shareholders are urged to act according to the timetable if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Note: Mr. Louis Koo is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

To accept the Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, being Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, by post or by hand, marked "**South China Holdings Limited General Offer**" on the envelope, in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:

(i) lodge your share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**South China Holdings Limited General Offer**" the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**South China Holdings Limited General Offer**" the completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominee Limited.

(c) If the share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked "**South China Holdings Limited General Offer**" to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and deliver it in an envelope marked "**South China Holdings Limited General Offer**" to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable instruction and authority to each of CCBI and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code and the Registrar has recorded that the Form of Acceptance and any relevant documents required have been so received, and is:

(i) accompanied by the relevant Share certificate(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under the other subparagraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange. If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (such as grant of probate or certified copy of power of attorney) to the satisfaction of the Registrar must be produced.

(f) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of the market value of the Offer Shares or consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to the relevant Independent Shareholder accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares.

(g) No acknowledgement of receipt of any Form of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) The address of the Registrar is 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

2. SETTLEMENT

(a) Provided that the Form of Acceptance and the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects in accordance with the Takeovers Code and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Offer Shares tendered by him/her/it under the Offer, less seller's ad valorem stamp duty payable by him/her/it, will be despatched to each accepting Independent Shareholder by ordinary post at his/her/its own risk as soon as possible but in any event within seven Business Days (as defined under the Takeovers Code) after the date on which all the relevant documents which render such acceptance complete and valid in accordance with the Takeovers Code are received by the Registrar.

(b) Settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

(c) No fraction of a cent will be payable and the amount of the consideration payable to each accepting Independent Shareholder will be rounded up to the nearest cent.

3. ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the Offer has previously been revised or extended with the consent of the Executive, all acceptances of the Offer must be received by the Registrar by 4:00 p.m. on Friday, 3 October 2014, being the Closing Date. The Offer is unconditional.

(b) If the Offer is extended or revised and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.

(c) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

(a) By 6:00 p.m. on Friday, 3 October 2014 (or such later time and/or date as the Executive may in exceptional circumstances permit) which is the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the expiry, revision or extension of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised or extended.

The announcement must state the total number of Offer Shares and rights over Offer Shares:

(i) for which acceptances of the Offer have been received;

(ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and

(iii) acquired or agreed to be acquired during the Offer Period by the Offeror or persons acting in concert with it.

The announcement must also include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent (save for any borrowed shares which have been either on-lent or sold) and specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) As required under the Takeovers Code, all announcements in respect of the listed companies must be made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

Acceptance of the Offer tendered by any Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.

As set out in Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that rule are met.

In such case, if the Independent Shareholder(s) withdraw(s) the acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the Independent Shareholder(s).

If the Offer is withdrawn, the Offeror must, as soon as possible but in any event within 10 days thereof, post the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to, or make such share certificate(s) and/or document(s) available for collection by, those Independent Shareholders who have accepted the Offer.

7. GENERAL

(a) All communications, notices, Form of Acceptance, certificates for Shares, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents by ordinary post at their own risk, and the Offeror, its beneficial owner, the Company, CCBI, CCBIS, the Independent Financial Adviser, the Registrar, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to the Offeror, CCBI or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Offer Shares in respect of which such person or persons has/have accepted the Offer.

(f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that the Offer Shares acquired under the Offer are sold by such person or persons free from all encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid on or after the date on which the Offer is made (excluding the right to the Special Dividend).

(g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.

(h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.

(i) Acceptances of the Offer by any persons will be deemed to constitute a warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.

(j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or CCBI knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.

(k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owner, the Company, CCBI, CCBIS or the Independent Financial Adviser or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.

(l) The English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

1. FINANCIAL SUMMARY

Set out below is a summary of the financial results of the Former Group for the six months ended 30 June 2014 and each of the years ended 31 December 2011, 2012, and 2013 as extracted from the announcement of interim results of the Company dated 19 August 2014 and the annual reports of the Company for the year ended 31 December 2011, 2012 and 2013 respectively.

No modified or qualified opinion had been given in the auditors' reports issued by the Company's auditors in respect of year ended 31 December 2013. Qualified opinion was issued by the Company's auditors, Ernst & Young, in respect of years ended 31 December 2011 and 2012. The qualified opinion issued by Ernst & Young for the years ended 31 December 2011 and 2012 are reproduced in the section headed "Modifications to the opinion in the independent auditor's reports" in this appendix.

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORTS

The following is a reproduction of the qualified opinion issued by Ernst & Young on the consolidated financial statements of the Company for the years ended 31 December 2011 and 2012, which are contained in the 2011 and 2012 annual reports of the Company respectively.

(i) In respect of the consolidated financial statements of the Company for the year ended 31 December 2012

Basis of Qualified Opinion

The consolidated financial statements of the Group for the year ended 31 December 2011 included the net loss of HK$19,046,000 arising from the operations and disposal of a group during the prior year, which included the net loss of the disposed group of HK$4,726,000 and the loss arising from the disposal amounting to HK$14,320,000. The amounts were included in the "Discontinued Operations" in the Group's consolidated income statement for the year ended 31 December 2011 and the related note disclosures. Our opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 was qualified for limitation of audit scope as we were unable to obtain sufficient appropriate audit evidence or perform alternative procedures to verify the above net loss included in the consolidated income statement and the related note disclosures.

Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and corresponding figures in relation to the "Discontinued Operations" as disclosed in the consolidated income statement.

Qualified Opinion

In our opinion, except for the possible effects on the corresponding figures in relation to the "Discontinued Operations" included in the consolidated income statement, as described in the "Basis of Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the Group's profit and cash flows for the year ended 31 December 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

(ii) In respect of the consolidated financial statements of the Company for the year ended 31 December 2011

Basis for Qualified Opinion

As disclosed in note 12 to the financial statements, the Group disposed of the entire issued share capital of Genion Limited during the year and ceased the information technology business thereafter. In this regard, the results of Genion Limited and its subsidiaries are disclosed as a discontinued operation. As further explained in note 36 to the financial statements, up to the date of approval of these financial statements, the accounting records of a subsidiary of Genion Limited, Chongqing South China Zenith Information Technology Co., Ltd. ("South China Zenith") were seized by the local government authority in Mainland China for investigation (the "Investigation"). Consequently, we were unable to obtain sufficient appropriate audit evidence or perform alternative procedures to verify the net results of HK$19,046,000, which included the operating results of Genion Limited of a loss of HK$4,726,000 and the loss on disposal of Genion Limited of HK$14,320,000, included in "Discontinued Operations" in the Group's consolidated income statement and the related note disclosures for the year ended 31 December 2011 and we were unable to deter mine whether any adjustments to these amounts were necessary. Our audit report on the financial statements for the year ended 31 December 2010 dated 31 March 2011 included a disclaimer of opinion due to limitation of audit scope by reason of the Investigation.

Qualified Opinion Arising from Limitation of Audit Scope

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

1. FINANCIAL SUMMARY (Continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	152,271	164,169	200,556	108,276	80,047
Cost of sales	(47,962)	(50,267)	(77,110)	(47,179)	(25,609)
Gross profit	104,309	113,902	123,446	61,097	54,438
Other income	10,323	3,894	6,462	2,866	1,549
Fair value gain on investment properties	12,800	600	300	–	–
Fair value gain/(loss) on financial assets at fair value through profit or loss	(20,043)	6,191	11,323	4,900	(6,423)
Selling and distribution expenses	(6,935)	(7,332)	(7,509)	(4,016)	(3,438)
Administrative expenses	(88,913)	(85,766)	(100,055)	(43,525)	(54,979)
Other operating expenses	(5,368)	(387)	(1,444)	(1,210)	(1,168)
PROFIT/(LOSS) FROM OPERATIONS	6,173	31,102	32,523	20,112	(10,021)
Finance costs	(6,645)	(7,095)	(5,117)	(2,704)	(2,496)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(472)	24,007	27,406	17,408	(12,517)
Income tax expense	(4,893)	(4,811)	(5,533)	(3,549)	(2,125)
PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	(5,365)	19,196	21,873	13,859	(14,642)
DISCONTINUED OPERATIONS					
Loss for the year	(19,201)	–	–	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(24,566)	19,196	21,873	13,859	(14,642)
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Changes in fair value of available-for-sale financial assets	(3,847)	15,391	3,847	3,206	(5,128)
Exchange differences on translation of foreign operations	4,508	(1,435)	2,577	1,959	(1,314)
Other comprehensive income/(loss) for the year/period	661	13,956	6,424	5,165	(6,442)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(23,905)	33,152	28,297	19,024	(21,084)

1. FINANCIAL SUMMARY (Continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

	Years ended 31 December			Six months ended 30 June	
	2011	**2012**	**2013**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year/period attributable to:					
Owners of the Company	(14,769)	19,154	21,812	14,146	(13,816)
Non-controlling interests	(9,797)	42	61	(287)	(826)
	(24,566)	19,196	21,873	13,859	(14,642)
Total comprehensive income attributable to:					
Owners of the Company	(15,986)	33,145	27,470	18,802	(19,729)
Non-controlling interests	(7,919)	7	827	222	(1,355)
	(23,905)	33,152	28,297	19,024	(21,084)
Earnings per share					
Basic					
– For profit/(loss) for the year	HK(0.8) cent	HK1.1 cents	HK1.2 cents	HK0.8 cents	HK(0.8) cent
– For profit/(loss) from continuing operations	HK(0.2) cent	HK1.1 cents	HK1.2 cents	HK0.8 cents	HK(0.8) cent
Diluted					
– For profit/(loss) for the year	HK(0.8) cent	HK1.1 cents	HK1.2 cents	HK0.8 cents	HK(0.8) cent
– For profit/(loss) from continuing operations	HK(0.2) cent	HK1.1 cents	HK1.2 cents	HK0.8 cents	HK(0.8) cent

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP

Annual report of the Former Group for the year ended 31 December 2013

Set out below are the audited financial statements together with the relevant notes there to as extracted from the annual report of the Company for the year ended 31 December 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	200,556	164,169
Cost of sales		(77,110)	(50,267)
Gross profit		123,446	113,902
Other income	5	6,462	3,894
Fair value gain on investment properties	6	300	600
Fair value gain on financial assets at fair value through profit or loss	6	11,323	6,191
Selling and distribution expenses		(7,509)	(7,332)
Administrative expenses		(100,055)	(85,766)
Other operating expenses		(1,444)	(387)
PROFIT FROM OPERATIONS		32,523	31,102
Finance costs	7	(5,117)	(7,095)
PROFIT BEFORE TAX	6	27,406	24,007
Income tax expense	10	(5,533)	(4,811)
PROFIT FOR THE YEAR		21,873	19,196
Attributable to:			
Owners of the Company	11	21,812	19,154
Non-controlling interests		61	42
		21,873	19,196
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
Basic and diluted		HK1.2 cents	HK1.1 cents

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	21,873	19,196
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of available-for-sale financial assets	3,847	15,391
Exchange differences on translation of foreign operations	2,577	(1,435)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	6,424	13,956
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28,297	33,152
Attributable to:		
Owners of the Company	27,470	33,145
Non-controlling interests	827	7
	28,297	33,152

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013** *HK$'000*	**2012** *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	8,015	8,031
Investment properties	*14*	38,900	38,600
Available-for-sale financial assets	*16*	48,566	44,710
Other non-current assets	*17*	29,150	28,331
Goodwill	*18*	2,994	2,994
Total non-current assets		127,625	122,666
CURRENT ASSETS			
Inventories	*19*	31,970	30,038
Trade and other receivables	*20*	231,415	220,863
Financial assets at fair value through profit or loss	*21*	40,916	30,098
Advances to non-controlling shareholders of subsidiaries	*25*	1,878	1,775
Tax recoverable		146	–
Pledged bank deposits	*22*	3,250	15,214
Cash and bank balances	*22*	34,229	31,854
Total current assets		343,804	329,842
CURRENT LIABILITIES			
Trade and other payables	*23*	155,572	143,320
Interest-bearing bank and other borrowings	*24*	37,419	62,750
Advances from non-controlling shareholders of subsidiaries	*25*	–	25
Tax payable		11,997	1,166
Total current liabilities		194,988	207,261
NET CURRENT ASSETS		148,816	122,581
TOTAL ASSETS LESS CURRENT LIABILITIES		276,441	245,247

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT LIABILITIES			
Advances from shareholders	26	62,438	59,541
NET ASSETS		214,003	185,706
EQUITY			
Equity attributable to owners of the Company			
Issued capital	28	45,584	45,584
Reserves	30(a)	146,905	119,435
		192,489	165,019
Non-controlling interests		21,514	20,687
Total Equity		214,003	185,706

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to owners of the Company									
	Note	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012		45,584	54,416	4,069	14,811	861	10,157	1,976	131,874	20,680	152,554
Profit for the year		—	—	—	—	—	—	19,154	19,154	42	19,196
Other comprehensive income/(loss) for the year:											
Changes in fair value of available-for-sale financial assets	16	—	—	—	15,391	—	—	—	15,391	—	15,391
Exchange differences on translation of foreign operations		—	—	—	—	—	(1,400)	—	(1,400)	(35)	(1,435)
Total comprehensive income/(loss) for the year		—	—	—	15,391	—	(1,400)	19,154	33,145	7	33,152
At 31 December 2012		45,584	54,416*	4,069*	30,202*	861*	8,757*	21,130*	165,019	20,687	185,706

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

		Attributable to owners of the Company									
	Note	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	PRC statutory reserve HK$'000 (Note)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2013		45,584	54,416	4,069	30,202	861	8,757	21,130	165,019	20,687	185,706
Profit for the year		–	–	–	–	–	–	21,812	21,812	61	21,873
Other comprehensive income for the year:											
Changes in fair value of available-for-sale financial assets	16	–	–	–	3,847	–	–	–	3,847	–	3,847
Exchange differences on translation of foreign operations		–	–	–	–	–	1,811	–	1,811	766	2,577
Total comprehensive income for the year		–	–	–	3,847	–	1,811	21,812	27,470	827	28,297
At 31 December 2013		45,584	54,416*	4,069*	34,049*	861*	10,568*	42,942*	192,489	21,514	214,003

Note: In accordance with regulations in the Mainland China, each of the Group's subsidiaries in the Mainland China is required to transfer part of its profit after tax to its statutory reserve, until the reserve reaches 50% of the registered capital. The PRC statutory reserve is non-distributable. The amount of transfer is subject to the approval of the boards of directors of these companies in accordance with their articles of association.

* These reserve accounts comprise the consolidated reserves of HK$146,905,000 (2012: HK$119,435,000) in the consolidated statement of financial position.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		27,406	24,007
Adjustments for:			
Finance costs	7	5,117	7,095
Bank interest income	5	(106)	(185)
Write-off of trade receivables	6	94	183
Depreciation	6	2,773	2,804
Fair value gain on investment properties	6	(300)	(600)
Fair value gain on financial assets at fair value through profit or loss	6	(11,323)	(6,191)
Loss on disposal of items of property, plant and equipment, net	6	21	204
Write-back of trade and other payables	5	(51)	(49)
		23,631	27,268
(Increase)/decrease in inventories		(787)	639
(Increase)/decrease in trade and other receivables		(9,648)	47,796
Increase/(decrease) in trade and other payables		11,600	(65,259)
Cash generated from operations		24,796	10,444
Hong Kong profits tax paid		(4,338)	(3,936)
Mainland China tax paid		(511)	(786)
Net cash flows from operating activities		19,947	5,722
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	13	(2,800)	(2,460)
Purchases of available-for-sale financial assets		(9)	–
Interest received		106	185
Proceeds from disposal of financial assets at fair value through profit or loss		505	–
Proceeds from disposal of items of property, plant and equipment		125	–
Net cash flows used in investing activities		(2,073)	(2,275)

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		441,171	3,198
Repayment of bank loans		(468,113)	(28,191)
Advance to non-controlling shareholders of subsidiaries		(60)	–
Interest paid		(2,220)	(4,336)
Net cash flows used in financing activities		(29,222)	(29,329)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(11,348)	(25,882)
Cash and cash equivalents at beginning of year		47,068	72,984
Effect of foreign exchange rate changes, net		768	(34)
CASH AND CASH EQUIVALENTS AT END OF YEAR		36,488	47,068
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	22	34,229	31,854
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	22	3,250	15,214
Bank overdrafts	24	(991)	–
Cash and cash equivalents as stated in the consolidated statement of cash flows		36,488	47,068

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP (Continued)

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	148,212	148,212
CURRENT ASSET			
Bank balance	22	5	2
CURRENT LIABILITY			
Other payable	23	61	61
NET CURRENT LIABILITY		(56)	(59)
TOTAL ASSETS LESS CURRENT LIABILITY		148,156	148,153
NON-CURRENT LIABILITIES			
Due to subsidiaries	15	219	138
NET ASSETS		147,937	148,015
EQUITY			
Issued capital	28	45,584	45,584
Reserves	30(b)	102,353	102,431
TOTAL EQUITY		147,937	148,015

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

1. CORPORATE INFORMATION

South China Holdings Limited is incorporated in the Cayman Islands as an exempted limited company. The registered office address of the Company is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the year, the Company was involved in investment holding activity while its subsidiaries were principally engaged in sale of air-tickets and other travel related and other services, trading and manufacturing of jewellery products, and the Group's management services and other investment holding.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13 and amendments to HKAS 1 and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 15 to the financial statements.

(b) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 14 and 37 to the financial statements.

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting* and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of HKFRSs issued in February 2014[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of HKFRSs issued in February 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, available-for-sale financial assets and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (a); and

  (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and leasehold improvements	10% to 25%, not exceeding the lease terms
Machinery and equipment	10% to 25%
Motor vehicles	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as fair value gain on financial assets at fair value through profit or loss and negative net changes in fair value presented as fair value loss on financial assets at fair value through profit or loss in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial asset revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted available-for-sale financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, advances from non-controlling shareholders of subsidiaries and advances from shareholders.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group has established a provision for severance payments in accordance with the relevant regulations in the Mainland China. Compensation payables to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) commission income, upon the sale of goods;

(c) service income, when the relevant services have been rendered;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using an option pricing model, further details of which are given in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") for its employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 had the option to join either one of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in the Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2013 was HK$38,900,000 (2012: HK$38,600,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2013, no impairment losses have been recognised for available-for-sale financial assets (2012: Nil).

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no deferred tax asset in respect of tax losses at 31 December 2013 (2012: Nil). The amount of unrecognised tax losses at 31 December 2013 was HK$187,047,000 (2012: HK$189,362,000) (note 27).

4. OPERATING SEGMENT INFORMATION

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

(a) the travel related and other services segment involves the sale of air-tickets, other travel related and other services;

(b) the trading and manufacturing of jewellery segment involves the trading and manufacturing of jewellery products; and

(c) the investment holding segment comprises the Group's management services and other investment holding.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of profit before tax. The profit before tax is measured consistently with the Group's profit before tax except that finance costs are excluded from such measurement.

Segment liabilities exclude tax payable and interest-bearing bank and other borrowings as these liabilities are managed on a group basis.

Year ended 31 December 2013

Group

	Travel related and other services *HK$'000*	Trading and manufacturing of jewellery *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	114,519	86,037	–	200,556
Segment results	36,415	2,058	(5,950)	32,523
Reconciliation:				
Finance costs				(5,117)
Profit before tax				27,406
Segment assets and total assets	255,150	36,132	180,147	471,429
Segment liabilities	144,610	7,890	65,510	218,010
Reconciliation:				
Corporate and other unallocated liabilities				39,416
Total liabilities				257,426
Other segment information:				
Fair value gain on investment properties	–	–	(300)	(300)
Fair value gain on financial assets at fair value through profit or loss	–	–	(11,323)	(11,323)
Write-off of trade receivables	94	–	–	94
Loss on disposal of items of property, plant and equipment, net	21	–	–	21
Depreciation	2,710	62	1	2,773
Capital expenditure*	2,759	35	6	2,800

* Capital expenditure consists of additions to property, plant and equipment.

Year ended 31 December 2012

Group

	Travel related and other services *HK$'000*	**Trading and manufacturing of jewellery** *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
Segment revenue:				
Sales to external customers	103,096	61,073	–	164,169
Segment results	26,721	3,255	1,126	31,102
Reconciliation:				
Finance costs				(7,095)
Profit before tax				24,007
Segment assets and total assets	251,475	34,823	166,210	452,508
Segment liabilities	135,694	6,233	60,959	202,886
Reconciliation:				
Corporate and other unallocated liabilities				63,916
Total liabilities				266,802
Other segment information:				
Fair value gain on investment properties	–	–	(600)	(600)
Fair value gain on financial assets at fair value through profit or loss	–	–	(6,191)	(6,191)
Write-off of trade receivables	183	–	–	183
Loss on disposal of items of property, plant and equipment, net	200	4	–	204
Depreciation	2,685	119	–	2,804
Capital expenditure*	2,443	17	–	2,460

* Capital expenditure consists of additions to property, plant and equipment.

Geographical segments

(a) Revenue from external customers

	2013	**2012**
	HK$'000	*HK$'000*
Hong Kong	84,437	73,909
Mainland China	116,119	90,260
	200,556	164,169

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2013	**2012**
	HK$'000	*HK$'000*
Hong Kong	46,552	46,495
Mainland China	32,507	31,461
	79,059	77,956

The non-current assets information above is based on the locations of the assets and excludes available-for-sale financial assets.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered and commission income during the year.

An analysis of revenue and other income is as follows:

		Group	
		2013	**2012**
		HK$'000	*HK$'000*
Revenue			
Commission and service income from travel related and other services	*Note*	114,519	103,096
Trading and manufacturing of jewellery		81,391	57,590
Commission income from sale of jewellery		4,646	3,483
		200,556	164,169
Other income			
Handling charge		1,541	2,152
Advertising income		613	483
Bank interest income		106	185
Exchange gains, net		2,906	9
Write-back of trade and other payables		51	49
Others		1,245	1,016
		6,462	3,894

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

	2013	**2012**
	HK$'000	*HK$'000*
Gross proceeds received and receivable	3,218,226	3,278,270

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		77,110	50,267
Depreciation	13	2,773	2,804
Auditors' remuneration		820	778
Employee benefits expenses (including directors' remuneration *(note 8)*):			
Wages and salaries and other benefits		57,539	54,942
Pension scheme contributions**		5,320	5,116
Total employee benefit expense		62,859	60,058
Minimum lease payments under operating leases in respect of land and buildings		10,849	10,273
Fair value gain on financial assets at fair value through profit or loss		(11,323)	(6,191)
Write-off of trade receivables*		94	183
Fair value gain on investment properties	14	(300)	(600)
Loss on disposal of items of property, plant and equipment, net*		21	204

* These balances are included in "other operating expenses" in the consolidated statement of profit or loss.

** At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2012: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2013 HK$'000	 2012 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	2,220	4,336
Interest on advances from shareholders *(note 35(a)(ii))*	2,897	2,759
	5,117	7,095

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Fees	460	460
Other emoluments:		
Salaries, allowances and benefits in kind	1,920	1,920
Pension scheme contributions	96	96
	2,016	2,016
	2,476	2,476

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013	**2012**
	HK$'000	*HK$'000*
Mr. David John Blackett	100	100
Ms. Tse Wong Siu Yin Elizabeth	75	75
Mr. Cheng Hong Kei	75	75
	250	250

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2013				
Executive directors:				
Mr. Ng Hung Sang	10	1,920	96	2,026
Mr. Richard Howard Gorges	10	–	–	10
Ms. Cheung Choi Ngor	10	–	–	10
Mr. Ng Yuk Fung Peter	10	–	–	10
	40	1,920	96	2,056
Non-executive directors:				
Ms. Ng Yuk Mui Jessica	50	–	–	50
Mr. David Michael Norman	120	–	–	120
	170	–	–	170
	210	1,920	96	2,226

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
2012				
Executive directors:				
Mr. Ng Hung Sang	10	1,920	96	2,026
Mr. Richard Howard Gorges	10	–	–	10
Ms. Cheung Choi Ngor	10	–	–	10
Mr. Ng Yuk Fung Peter	10	–	–	10
	40	1,920	96	2,056
Non-executive directors:				
Ms. Ng Yuk Mui Jessica	50	–	–	50
Mr. David Michael Norman	120	–	–	120
	170	–	–	170
	210	1,920	96	2,226

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2012: four) non-director highest paid employees for the year are as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	5,181	2,966
Discretionary bonuses	1,978	1,412
Pension scheme contributions	156	55
	7,315	4,433

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	**2012**
HK$500,001 to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	–
	4	4

10. INCOME TAX

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

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	5,248	4,320
Overprovision in prior years	(10)	(98)
Current – Mainland China		
Charge for the year	295	589
Total tax charge for the year	5,533	4,811

A reconciliation of the tax expense on the Group's profit before tax at the Hong Kong profits tax rate to the tax expenses at the effective tax rate is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Profit before tax	27,406	24,007
Tax at the Hong Kong profits tax rate of 16.5% (2012: 16.5%)	4,522	3,961
Effect of different tax rates of subsidiaries operating in the Mainland China	100	200
Expenses not deductible for tax	3,800	2,117
Income not subject to tax	(2,035)	(1,127)
Tax losses utilised from previous periods	(846)	(243)
Tax losses not recognised	2	1
Overprovision in prior years	(10)	(98)
Total tax charge at the Group's effective rate of 20.2% (2012: 20.0%)	5,533	4,811

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$78,000 (2012: HK$79,000) which has been dealt with in the financial statements of the Company *(note 30(b))*.

12. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to owners of the Company of HK$21,812,000 (2012: HK$19,154,000) and the weighted average number of ordinary shares of 1,823,401,376 in issue during the year.

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

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

	2013	**2012**
	HK$'000	*HK$'000*
Profit		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculations	21,812	19,154

	Number of shares 2013	2012
Shares		
Weighted average number of ordinary shares in issue during the year 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 two years ended 31 December 2013 and 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 years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and leasehold improvements *HK$'000*	Machinery and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2013				
At 31 December 2012 and at 1 January 2013:				
Cost	7,279	8,867	6,661	22,807
Accumulated depreciation and impairment	(4,932)	(5,555)	(4,289)	(14,776)
Net carrying amount	2,347	3,312	2,372	8,031
At 1 January 2013, net of accumulated depreciation and impairment	2,347	3,312	2,372	8,031
Additions	680	1,404	716	2,800
Disposals	(14)	–	(132)	(146)
Depreciation provided during the year	(774)	(1,262)	(737)	(2,773)
Exchange realignment	24	75	4	103
At 31 December 2013, net of accumulated depreciation and impairment	2,263	3,529	2,223	8,015
At 31 December 2013:				
Cost	8,044	10,395	7,297	25,736
Accumulated depreciation and impairment	(5,781)	(6,866)	(5,074)	(17,721)
Net carrying amount	2,263	3,529	2,223	8,015

Group

	Furniture and leasehold improvements	Machinery and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2012				
At 31 December 2011 and at 1 January 2012:				
Cost	7,067	8,534	6,296	21,897
Accumulated depreciation and impairment	(4,203)	(5,036)	(4,072)	(13,311)
Net carrying amount	2,864	3,498	2,224	8,586
At 1 January 2012, net of accumulated depreciation and impairment	2,864	3,498	2,224	8,586
Additions	375	1,198	887	2,460
Disposals	(16)	(115)	(73)	(204)
Depreciation provided during the year	(886)	(1,265)	(653)	(2,804)
Exchange realignment	10	(4)	(13)	(7)
At 31 December 2012, net of accumulated depreciation and impairment	2,347	3,312	2,372	8,031
At 31 December 2012:				
Cost	7,279	8,867	6,661	22,807
Accumulated depreciation and impairment	(4,932)	(5,555)	(4,289)	(14,776)
Net carrying amount	2,347	3,312	2,372	8,031

14. INVESTMENT PROPERTIES

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Carrying amount at 1 January	38,600	38,000
Net gain from a fair value adjustment recognised in statement of profit or loss	300	600
Carrying amount at 31 December	38,900	38,600

The Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Hong Kong:		
Medium term leases	38,900	38,600

The Group's investment properties consist of land in Hong Kong. The Group's investment properties were revalued on 31 December 2013 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$38,900,000 (2012: HK$38,600,000). The Group's finance division had discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

All investment properties were classified under Level 3 in the fair value hierarchy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair value of investment properties located in Hong Kong is determined using market comparison approach by reference to recent sales prices of comparable properties on a price per square metre basis. Below is a summary of the key inputs to the valuation of investment properties:

Group

	Range (weighted average)
Price per square metre	HK$3,229 to HK$10,764 (HK$7,629)

A significant increase/decrease in the price per square metre would result in a significant increase/decrease in the fair value of the investment properties.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2013	**2012**
	HK$'000	*HK$'000*
Unlisted shares, at cost	181,712	181,712
Less: Impairment#	(33,500)	(33,500)
	148,212	148,212

An impairment was recognised for interests in subsidiaries with aggregate carrying amount of HK$181,712,000 (before deducting the impairment loss) (2012: HK$181,712,000) because certain subsidiaries have been making loss. There was no change in the impairment account during the current and prior years.

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months from the end of the reporting period and are therefore shown in the statement of financial position as non-current liabilities.

Details of the Company's principal subsidiaries are set out in note 39 to the financial statements.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2013	**2012**
Percentage of equity interest held by non-controlling interests:		
Chongqing Fortuna Information Technology Co., Ltd.	30%	30%
Nanjing South China Baoqing Jewellery Co., Ltd.	34.55%	34.55%
Tianjin South China Real Estate Development Co. Ltd.	49%	49%

	2013	**2012**
	HK$'000	*HK$'000*
Profit/(loss) for the year allocated to non-controlling interests:		
Chongqing Fortuna Information Technology Co., Ltd.	5	(172)
Nanjing South China Baoqing Jewellery Co., Ltd.	201	393
Tianjin South China Real Estate Development Co. Ltd.	(145)	(116)

	2013	**2012**
	HK$'000	*HK$'000*
Accumulated balances of non-controlling interests at the reporting dates:		
Chongqing Fortuna Information Technology Co., Ltd.	1,116	1,071
Nanjing South China Baoqing Jewellery Co., Ltd.	4,280	3,927
Tianjin South China Real Estate Development Co. Ltd.	16,804	16,335

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

	Chongqing Fortuna Information Technology Co., Ltd.	Nanjing South China Baoqing Jewellery Co., Ltd.	Tianjin South China Real Estate Development Co. Ltd.
	HK$'000	*HK$'000*	*HK$'000*
2013			
Revenue	7,049	86,037	–
Other revenue	–	631	–
Total expenses	(7,033)	(86,085)	(296)
Profit/(loss) for the year	16	583	(296)
Total comprehensive income for the year	151	1,019	958
Current assets	5,304	36,060	12,058
Non-current assets	222	294	22,532
Current liabilities	(1,805)	(23,966)	(296)
Net cash flows from/(used in) operating activities	1,968	2,128	(308)
Net cash flows from/(used in) investing activities	(105)	(17)	7
Net cash flows used in financing activities	–	(3,272)	–
Net increase/(decrease) in cash and cash equivalents	1,863	(1,161)	(301)

	Chongqing Fortuna Information Technology Co., Ltd.	Nanjing South China Baoqing Jewellery Co., Ltd.	Tianjin South China Real Estate Development Co. Ltd.
	HK$'000	*HK$'000*	*HK$'000*
2012			
Revenue	5,180	61,074	–
Other income	–	495	–
Total expenses	(5,754)	(60,431)	(236)
Profit/(loss) for the year	(574)	1,138	(236)
Total comprehensive income/(loss) for the year	(581)	1,120	(294)
Current assets	36,060	34,726	11,913
Non-current assets	294	309	21,709
Current liabilities	(23,966)	(23,668)	(285)
Net cash flows from/(used in) operating activities	(627)	5,010	(257)
Net cash flows from/(used in) investing activities	(70)	(5)	21
Net cash flows used in financing activities	–	(4,693)	–
Net increase/(decrease) in cash and cash equivalents	(697)	312	(236)

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Club debentures and membership	461	461
Listed equity investments, at market value	48,105	44,249
	48,566	44,710

During the year, the fair value gain in respect of the Group's listed equity investments recognised in the statement of other comprehensive income amounted to HK$3,847,000 (2012: HK$15,391,000) and no amount was reclassified from other comprehensive income to the statement of profit or loss and no impairment was recognised in profit or loss (2012: Nil).

The investments in club debentures and memberships have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

17. OTHER NON-CURRENT ASSETS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Land development costs	22,528	21,709
Deposit for acquisition of properties	6,622	6,622
	29,150	28,331

18. GOODWILL

Group

	HK$'000
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	
Cost and net carrying amount	2,994

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to travel related services business cash-generating unit for impairment testing.

The recoverable amount of the travel related services business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets. The discount rate applied to the cash flow projections is 9% (2012: 9%). The growth rate used to extrapolate the cash flows of the travel related services business unit beyond the five-year period is 3% (2012: 3%) which is the same as the long term average growth rate of the travel related services business industry.

The net carrying amount of the goodwill allocated to the travel related services business cash-generating unit is HK$2,994,000 (2012: HK$2,994,000).

Key assumptions were used in the value in use calculation of the travel related services business cash-generating unit for both years. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The budgeted gross margins is determined based on the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

19. INVENTORIES

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Raw materials	2,441	2,101
Finished goods	29,668	28,071
	32,109	30,172
Provision against obsolete inventories	(139)	(134)
	31,970	30,038

At 31 December 2013, the Group's inventories with a value of HK$7,674,000 (2012: HK$8,627,000) were pledged to secure banking facilities granted to the Group *(note 24)*.

20. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of approximately HK$181,749,000 (2012: HK$171,277,000) as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Trade receivables	184,402	173,833
Less: Impairment	(2,653)	(2,556)
	181,749	171,277

The Group's trading terms with its customers are on credit with credit periods ranging from one to three months (2012: one to three months), depends 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within 90 days	175,720	162,588
91 to 180 days	4,850	4,748
181 to 365 days	956	2,355
Over 365 days	223	1,586
	181,749	171,277

The movements in impairment of trade receivables are as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
At 1 January	2,556	2,563
Exchange realignment	97	(7)
At 31 December	2,653	2,556

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,653,000 (2012: HK$2,556,000) with carrying amounts before provision of HK$2,653,000 (2012: HK$2,556,000). The individually impaired trade receivables relate to customers that were in financial difficulties.

The ageing analysis of the trade receivables based on due date that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within 90 days	178,812	166,843
91 to 180 days	2,015	2,197
181 to 365 days	726	2,167
Over 365 days	196	70
	181,749	171,277

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2013, the Group's trade and other receivables with aggregate net carrying value of HK$12,946,000 (2012: HK$20,453,000) were pledged to secure its banking facilities *(note 24)*.

Included in other receivables is an amount due from a former subsidiary of the Group of HK$14,676,000 (2012: HK$13,095,000), which bears interest at 8% per annum and will be repayable in September 2014. The terms are mutually agreed by both parties.

None of the other receivables is either past due or impaired. The financial assets included in these balances relate to receivables for which there was no recent history of default.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	40,916	30,098

The above financial assets at 31 December 2013 and 2012 were classified as held for trading. The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$38,537,000 (2012: HK$33,534,000).

22. CASH AND BANK BALANCES AND PLEDGED BANK DEPOSITS

		Group		Company	
		2013	**2012**	**2013**	**2012**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances		34,229	31,854	5	2
Time deposits		3,250	15,214	–	–
		37,479	47,068	5	2
Less: Pledged for banking facilities	*24*	(3,250)	(15,214)	–	–
Cash and cash equivalents		34,229	31,854	5	2

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$20,849,000 (2012: HK$20,576,000). RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of approximately HK$94,987,000 (2012: HK$87,961,000) and their ageing analysis as at the end of reporting period, based on the invoice date is as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within 90 days	93,113	86,701
91 to 180 days	265	184
181 to 365 days	608	170
Over 365 days	1,001	906
	94,987	87,961

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

Other payables are non-interest-bearing and have an average term of three months (2012: three months).

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2013			2012		
	Effective interest rate			**Effective interest rate**		
	(%)	*Maturity*	*HK$'000*	*(%)*	*Maturity*	*HK$'000*
Current						
Bank overdrafts – unsecured	5.8	On demand	991	N/A	N/A	–
Bank loans – unsecured	2.2	2014	10,000	2.8-6.9	2013	29,232
Bank loans – secured	2.2-7.2	2014	18,025	2.2-8.2	2013	26,012
Other borrowings	7	On demand	8,403	7	On demand	7,506
			37,419			62,750

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Analysed into:		
Bank loans and overdrafts repayable within one year or on demand	29,016	55,244
Other borrowings repayable on demand	8,403	7,506
	37,419	62,750

Notes:

(a) At the end of the reporting period, the Group's bank borrowings of approximately HK$18,025,000 (2012: HK$26,012,000) are secured by:

(i) the pledge of the Group's time deposits of HK$3,250,000 (2012: HK$15,214,000) *(note 22)*;

(ii) the pledge of the Group's inventories which had an aggregate carrying value at the end of the reporting period of approximately HK$7,674,000 (2012: HK$8,627,000) *(note 19)*; and

(iii) the pledge of the Group's trade and other receivables which had an aggregate carrying value at the end of the reporting period of approximately HK$12,946,000 (2012: HK$20,453,000) *(note 20)*.

(b) Except for bank loans with an aggregate amount of HK$7,674,000 (2012: HK$9,859,000) and other borrowings of HK$8,403,000 (2012: HK$7,506,000) which are denominated in RMB, all other borrowings are in Hong Kong dollars.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values. The fair values of the bank and other borrowings are the present values of future cash flows, discounted at prevailing interest rates at 31 December 2013.

25. ADVANCES FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from/to non-controlling shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

26. ADVANCES FROM SHAREHOLDERS

Except for the amounts of HK$60,837,000 (2012: HK$57,940,000) which are interest-bearing at the Hong Kong dollar prime rate per annum and will not be repayable within 12 months from the end of the reporting period, the remaining advances from shareholders are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts as at the end of the reporting period will not be repayable within 12 months from the end of the reporting period and are therefore shown in the statement of financial position as non-current liabilities.

27. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following items:

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tax losses	187,047	189,362	5,079	5,079

The tax losses arising in Hong Kong of HK$180,971,000 (2012: HK$176,707,000) are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in the Mainland China of HK$6,076,000 (2012: HK$12,655,000) that will expire in one to five years for offsetting against future taxable profits. A deferred tax asset has not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

At 31 December 2013, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$72,000 at 31 December 2013 (2012: HK$60,000).

28. SHARE CAPITAL

Shares

	2013	**2012**
	HK$'000	*HK$'000*
Authorised:		
4,000,000,000 ordinary shares of HK$0.025 each	100,000	100,000
Issued and fully paid:		
1,823,401,376 ordinary shares of HK$0.025 each	45,584	45,584

29. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was terminated on 5 June 2012. Thereafter, no further options will be granted under the 2002 Share Option Scheme but the subsisting share options granted thereunder prior to its termination shall continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") which became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Options Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Group are entitled to participate in share option schemes operated by the Company. Details of the Company's share option schemes are as follows:

(i) 2002 Share Option Scheme

(a) Purpose of the 2002 Share Option Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the Company approved the adoption of the 2002 Share Option Scheme at the annual general meeting held on 31 May 2002.

(b) *Participants of the 2002 Share Option Scheme*

According to the 2002 Share Option Scheme, the board may, at its discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, consultant or contractor of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder; and

(ix) any company wholly-owned by one or more persons belonging to any of the above classes of participants.

(c) *Total number of shares available for issue under the 2002 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2002 Share Option Scheme, i.e. a total of 182,340,137.

(d) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12 month period up to and including the date of grant to such participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

(e) *Period within which the shares must be taken up under an option*

The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant. The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(f) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2002 Share Option Scheme provide that the board of the Company has the discretion to impose a minimum period at the time of grant of any particular option.

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 5 business days from the date of offer of the option.

(h) *Basis of determining the exercise price options*

The exercise price is determined by the board of the Company, and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(i) *Remaining life of the 2002 Share Option Scheme*

The 2002 Share Option Scheme was in force for a period of 10 years commencing on 28 June 2002 and was terminated on 5 June 2012.

The following share options were outstanding under the 2002 Share Option Scheme of the Company during the year:

	2013		**2012**	
	Weighted average exercise price	**Number of options**	**Weighted average exercise price**	**Number of options**
	HK$ per share	*'000*	*HK$ per share*	*'000*
At 1 January and 31 December	2	92,200	2	92,200

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	Number of share options								
Name or category of participants	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2013	Date of grant of share options (DD/MM/YYYY) *(Note 1)*	Exercise period of share options (DD/MM/YYYY)	Exercise price per share HK$ *(Note 2)*
Directors									
Cheung Choi Ngor	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
Richard Howard 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 Jessica	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 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			
Others									
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:

(1) 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 33⅓
25th month–36th month	not more than 66⅔
37th month–120th month	100

(2) 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 share options have been granted, exercised or cancelled during the year ended 31 December 2013. No share option expense was recognised during the two years ended 31 December 2013 and 2012.

At the end of the reporting period, the Company had 92,200,000 share options outstanding under the 2002 Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 92,200,000 additional ordinary shares of the Company with additional share capital of HK$2,305,000 and share premium of HK$182,095,000 (before issue expenses).

The fair value of equity-settled share options granted during the year ended 31 December 2007 was estimated as at the date of grant using a option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	0.00
Average expected volatility (%)	68.57
Average historical volatility (%)	68.57
Average risk-free interest rate (%)	3.96
Expected life of options (year)	3–5
Weighted average share price (HK$)	1.374

The expected life of the options is based on the management estimation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends.

No other feature of the options granted was incorporated into the measurement of fair value.

No share option was exercised during the year.

(ii) 2012 Share Option Scheme

(a) Purpose of the 2012 Share Option Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

(b) Participants of the 2012 Share Option Scheme

According to the 2012 Share Option Scheme, the board may, at its discretion, grant share options to any person belonging to any of the following classes of participants to subscribe for shares:

(i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

(ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

(iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

(iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or substantial shareholder;

(v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

(vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

(viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder;

(ix) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute to the development and growth of any member of the Group (inducing any discretionary object of a participant which is a discretionary trust); and

(x) any company wholly owned by one or more persons belonging to any of the above classes of participants.

(c) Total number of shares available for issue under the 2012 Share Option Scheme

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2012 Share Option Scheme, i.e. a total of 182,340,137.

As at 31 December 2013, the total number of shares available for issue pursuant to the grant of further share options under the 2012 Share Option Scheme was 182,340,137, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report.

(d) Maximum entitlement of each participant

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12 month period up to and including the date of grant to such participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

(e) Period within which the shares must be taken up under an option

The Board may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant.

The Board may also impose restrictions on the exercise of a share option during the period a share option may be exercised.

(f) *Minimum period, if any, for which an option must be held before it can be exercised*

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2012 Share Option Scheme provide that the board of the Company has the discretion to impose a minimum period at the time of grant of any particular option.

(g) *Amount payable upon acceptance of the option and the period within which payment must be made*

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

(h) *Basis of determining the exercise price options*

The exercise price is determined by the board of the Company, and shall be at least the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant; and (iii) the nominal value of the Company's shares.

(i) *Remaining life of the 2012 Share Option Scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

During the year ended 31 December 2013, no share option has been granted, exercised or cancelled under the 2012 Share Option Scheme since its adoption.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

(b) Company

	Share premium account *HK$'000*	**Share option reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	54,416	4,069	44,025	102,510
Total comprehensive loss for the year	–	–	(79)	(79)
At 31 December 2012 and 1 January 2013	54,416	4,069	43,946	102,431
Total comprehensive loss for the year	–	–	(78)	(78)
At 31 December 2013	54,416	4,069	43,868	102,353

The Company's reserves available for distribution represent the share premium account and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2013 amounted to approximately HK$98,284,000 (2012: HK$98,362,000).

31. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Guarantees given to banks in connection with banking facilities granted to:				
Subsidiaries	–	–	186,450	141,450

At 31 December 2013, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised by the subsidiaries to the extent of approximately HK$21,343,000 (2012: HK$45,385,000).

32. PLEDGES OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure the banking facilities granted to the Group and are analysed as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Net book values of the pledged assets:		
Inventories	7,674	8,627
Trade and other receivables	12,946	20,453
Bank deposits	3,250	15,214
	23,870	44,294

33. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its retail stores and office properties under operating lease arrangements. Leases for these retail stores are negotiated for terms of eight years (2012: eight years), and those for office properties are for terms ranging from one to five years (2012: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Within one year	9,866	8,990
In second to fifth years, inclusive	20,587	9,756
After five years	–	1,638
	30,453	20,384

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group has capital commitments contracted, but not provided for in relation to acquisition of land in the Mainland China of approximately HK$3,619,000 (2012: HK$3,488,000) at the end of the reporting period.

At the end of the reporting period, the Company did not have any significant capital commitment (2012: Nil).

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

Related party	Nature of transaction	*Notes*	2013 *HK$'000*	2012 *HK$'000*
Companies in which certain directors have beneficial interests*/#	Net proceeds from air-tickets and travel related services sold	*(i)*	269	194
Companies in which certain directors have beneficial interests*/**	Rental expenses	*(i)*	2,539	2,539
Shareholders#	Interest expenses	*(ii)*	2,897	2,759

* The directors of the Company are also the 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.

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 15, 25 and 26 to the financial statements.

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

Certain directors are the key and senior management personnel of the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group **2013**

Financial assets

	Financial assets at fair value through profit or loss	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets	–	–	48,566	48,566
Trade and other receivables	–	231,415	–	231,415
Financial assets at fair value through profit or loss	40,916	–	–	40,916
Advances to non-controlling shareholders of subsidiaries	–	1,878	–	1,878
Pledged bank deposits	–	3,250	–	3,250
Cash and bank balances	–	34,229	–	34,229
	40,916	270,772	48,566	360,254

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade and other payables	155,572
Interest-bearing bank and other borrowings	37,419
Advances from shareholders	62,438
	255,429

Group **2012**

Financial assets

	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets	–	–	44,710	44,710
Trade and other receivables	–	220,863	–	220,863
Financial assets at fair value through profit or loss	30,098	–	–	30,098
Advances to non-controlling shareholders of subsidiaries	–	1,775	–	1,775
Pledged bank deposits	–	15,214	–	15,214
Cash and bank balances	–	31,854	–	31,854
	30,098	269,706	44,710	344,514

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Trade and other payables	143,320
Interest-bearing bank and other borrowings	62,750
Advances from non-controlling shareholders of subsidiaries	25
Advances from shareholders	59,541
	265,636

Company

Financial assets

	Loans and receivables	
	2013	**2012**
	HK$'000	*HK$'000*
Bank balances	5	2

Financial liabilities

	Financial liabilities at amortised cost	
	2013	**2012**
	HK$'000	*HK$'000*
Other payables	61	61
Due to subsidiaries	219	138
	280	199

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and bank balances, pledged bank deposits, balances with non-controlling shareholders of subsidiaries, trade and other receivables, trade and other payables and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance division is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance division analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The Group's finance division had discussions with the valuer on the valuation methodology and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The non-current portion of advances from shareholders was not discounted as the discounting factors were considered by management to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

At the end of each reporting period, the financial instruments measured at fair value held by the Group were classified at level 1.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, equity investments, and cash and bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with a floating interest rate. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR.

If there would be a general increase in the interest rates of net debts obligations with floating interest rates by fifty basis points (2012: fifty basis points), with all other variables held constant, the Group's profit before tax and retained profits would be decreased by approximately HK$449,000 (2012: HK$538,000) for the year ended 31 December 2013.

Foreign currency risk

The Group operates in Hong Kong and the Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in the Mainland China. The directors consider that the exchange rates of the Hong Kong dollar against the United States dollar in the foreseeable future are expected to be relatively stable and the appreciation in RMB against the Hong Kong dollar is expected to be mild. There is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

The Group has certain investments in operations in the Mainland China, whose net assets are exposed to translation risk. Management does not expect any material adverse impact on the foreign exchange fluctuation, as expected and mild appreciation in RMB will further benefit the Group's net asset position in the Mainland China.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Change in foreign currency rate	Group Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2013			
If Hong Kong dollar weakens against RMB	5	–	4,957
If Hong Kong dollar strengthens against RMB	5	–	(4,957)

	Change in foreign currency rate	Group Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2012			
If Hong Kong dollar weakens against RMB	5	–	3,654
If Hong Kong dollar strengthens against RMB	5	–	(3,654)

* Excluding retained earnings

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

The Group's concentration of credit risk is mainly in Hong Kong and the Mainland China by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group			**2013**		
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	60,047	94,885	640	–	155,572
Interest-bearing bank and other borrowings	9,394	20,352	7,673	–	37,419
Advances from shareholders	–	–	–	62,438	62,438
	69,441	115,237	8,313	62,438	255,429

Group			**2012**		
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Over 1 year**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other payables	55,578	87,742	–	–	143,320
Interest-bearing bank and other borrowings	7,506	45,385	9,859	–	62,750
Advances from non-controlling shareholders of subsidiaries	–	–	25	–	25
Advances from shareholders	–	–	–	59,541	59,541
	63,084	133,127	9,884	59,541	265,636

Company

	On demand	Less than 3 months	2013 3 to less than 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	61	–	–	–	61
Due to subsidiaries	–	–	–	219	219
Guarantees given to banks in connection with facilities granted to subsidiaries	21,343	–	–	–	21,343
	21,404	–	–	219	21,623

Company

	On demand	Less than 3 months	2012 3 to less than 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	61	–	–	–	61
Due to subsidiaries	–	–	–	138	138
Guarantees given to banks in connection with facilities granted to subsidiaries	45,385	–	–	–	45,385
	45,446	–	–	138	45,584

Equity price risk

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2013	High/low 2013	31 December 2012	High/low 2012
Hong Kong – Hang Seng Index	23,306	24,112/ 19,426	22,657	22,719/ 18,056

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

	Carrying amount of equity investments	**Change in profit before tax**	**Change in equity***
	HK$'000	*HK$'000*	*HK$'000*
2013			
Investments listed in:			
Hong Kong – Held-for-trading	40,916	4,092	–
– Available-for-sale	48,105	–	4,811

	Carrying amount of equity investments	**Change in profit before tax**	**Change in equity***
	HK$'000	*HK$'000*	*HK$'000*
2012			
Investments listed in:			
Hong Kong – Held-for-trading	30,098	3,010	–
– Available-for-sale	44,249	–	4,425

* Excluding retained earnings

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank and other borrowings less cash and bank balances. Capital represents total equity. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2013	**2012**
	HK$'000	*HK$'000*
Interest-bearing bank and other borrowings	37,419	62,750
Less: Cash and bank balances	(34,229)	(31,854)
Net debt	3,190	30,896
Capital	214,003	185,706
Capital and net debt	217,193	216,602
Gearing ratio	1.5%	14.3%

39. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2013 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Fortuna Information Technology Co., Ltd. *(note c)*	The PRC/ Mainland China	RMB3,330,000	70%	Information technology related business
Four Seas Travel (BVI) Limited	British Virgin Islands	US$100	100%	Investment holding
Glad Light Investment Limited	Hong Kong	HK$10,000	100%	Property investment
Greenearn Investments Limited	Hong Kong	HK$2	100%	Investment holding
Hong Kong Four Seas Tours Limited	Hong Kong	HK$20,800,000 Ordinary HK$1,200,000 Non-voting deferred *(note b)*	100%	Sale of air-tickets and provision of travel related services
Jadeland Investment Limited	Hong Kong	HK$2	100%	Property investment
King Link Investments Limited	Hong Kong	HK$2	100%	Investment holding
Nanjing South China Baoqing Jewellery Co., Ltd. *(note c)*	The PRC/ Mainland China	RMB5,500,000	65.45%	Trading and manufacturing of jewellery
South China (BVI) Limited	British Virgin Islands	US$10,000	100%	Investment holding
South China Information Technology Development Limited	Cayman Islands	HK$1	100%	Investment holding
Southchinanet.com (BVI) Limited	British Virgin Islands	US$1	100%	Investment holding
Splendid Enterprises Limited	British Virgin Islands	US$1	100%	Investment holding
Super Giant Limited	British Virgin Islands	US$1	100%	Investment holding

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Tek Lee Finance and Investment Corporation Limited	Hong Kong	HK$287,498,818	100%	Investment holding
Tianjin South China Real Estate Development Co. Ltd. *(note c)*	The PRC/ Mainland China	RMB43,000,000	51%	Property investment
Winfound Investments Limited	Hong Kong	HK$2	100%	Property investment
Worldunity Investments Limited	Hong Kong	HK$10,000	100%	Investment holding

Notes:

(a) The above principal subsidiaries, except South China (BVI) Limited, are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) These are Sino-foreign equity joint ventures established in the PRC and are not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young network.

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results for the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Save as aforesaid, none of the subsidiaries had any debt securities in issue at any time during the year or at the end of the year.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 18 March 2014.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE FORMER GROUP

Set out below are the unaudited consolidated results of the Former Group for the six months ended 30 June 2014 with the relevant comparative figures, as extracted from the announcement of interim results of the Company dated 19 August 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	**2013**
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
Revenue	2	80,047	108,276
Cost of sales		(25,609)	(47,179)
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		(1,168)	(1,210)
(Loss)/profit from operations	2	(10,021)	20,112
Finance costs	3	(2,496)	(2,704)
(Loss)/profit before tax	4	(12,517)	17,408
Income tax expense	5	(2,125)	(3,549)
(Loss)/profit for the period		(14,642)	13,859
Attributable to:			
– Owners of the Company		(13,816)	14,146
– Non-controlling interests		(826)	(287)
		(14,642)	13,859
(Loss)/earnings per share attributable to the owners of the Company for the period	6		
Basic and diluted		HK(0.8) cent	HK0.8 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Notes	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
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

	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	–	80,047
Segment results	8,784	291	(19,096)	(10,021)
Reconciliation:				
Finance costs				(2,496)
Loss before tax				(12,517)

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	504,722
Segment liabilities	179,307	6,127	65,017	250,451
Reconciliation:				
Corporate and other unallocated liabilities				61,352
Total liabilities				311,803

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	–	108,276
Segment results	17,586	2,148	378	20,112
Reconciliation:				
Finance costs				(2,704)
Profit before tax				17,408

As at 31 December 2013

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

	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
	80,047	108,276

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	1,610,845	1,673,586

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	1,507	1,436
	2,496	2,704

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	(13,816)	14,146

	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	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:

	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
	243,381	181,749

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
	139,289	94,987

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

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The full text of a report of the unaudited pro forma financial information of the Group, prepared for the purpose of inclusion in Appendix III to the circular of the Company dated 12 August 2014, is reproduced below.

(A) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

12 August 2014

The Directors
South China Holdings Limited
28th Floor, Bank of China Tower
No. 1 Garden Road
Central
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of South China Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2013, the unaudited pro forma consolidated statement of profit or loss, the unaudited proforma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2013, and the related notes as set out on page III-5 to III-12 to the Circular issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the relevant notes.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed disposal of the Disposal Group (as defined in the Circular) (the "Disposal") on the Group's financial position as at 31 December 2013, and the Group's financial performance and cash flows for the year ended 31 December 2013 as if the Disposal together with the Reorganisation (as defined in the Circular) to be conducted prior to the Disposal had taken place at 31 December 2013 and 1 January 2013, respectively. As part of this process, information about the Group's financial position, financial performance and cash flows have been extracted by the Directors from the Group's financial statements for the year ended 31 December 2013.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal together with the Reorganisation to be conducted prior to the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

Ernst & Young
Certified Public Accountants
Hong Kong

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction

The following is the unaudited pro forma consolidated statement of financial position, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group (collectively known as the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the disposal on the financial position of the Remaining Group as if the disposal and the Group Reorganisation (as defined in the Circular) to be conducted prior to the Disposal had been completed on 31 December 2013 and on the results and cash flows of the Remaining Group as if the disposal and the Reorganisation had been completed on 1 January 2013.

As the Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position and results of the Remaining Group following the completion of the disposal.

The Unaudited Pro Forma Financial Information is based on the audited consolidated statement of financial position of the Group as at 31 December 2013, the audited consolidated statement of profit or loss, the audited consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2013 extracted from the published 2013 annual report of the Group, after giving effect to the pro forma adjustments relating to the disposal that are (i) clearly shown and explained; (ii) directly attributable to the disposal and not relating to future events or decisions; and (iii) factually supportable.

The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position, results and cash flows of the Remaining Group that would have been attained had the disposal been completed on 31 December 2013 and 1 January 2013, respectively. The Unaudited Pro Forma Financial Information does not purport to predict the future financial positions or results of the Remaining Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	The Group as at 31 December 2013	Pro Forma Adjustments				Unaudited Pro Forma Remaining Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	
NON-CURRENT ASSETS						
Property, plant and equipment	8,015	(7,721)				294
Investment properties	38,900	(38,900)				–
Available-for-sale financial assets	48,566	(469)				48,097
Other non-current assets	29,150	(29,150)				–
Goodwill	2,994	(2,994)				–
Total non-current assets	127,625					48,391
CURRENT ASSETS						
Inventories	31,970	(90)				31,880
Trade and other receivables	231,415	(217,981)				13,434
Financial assets at fair value through profit or loss	40,916					40,916
Advances to non-controlling shareholders of subsidiaries	1,878	(1,842)				36
Tax recoverable	146	–				146
Pledged bank deposits	3,250	(3,250)				–
Cash and bank balances	34,229	(32,696)		95,466	(63,466)	33,533
Total current assets	343,804					119,945
CURRENT LIABILITIES						
Trade and other payables	155,572	(146,616)				8,956
Amounts due to affiliates	–	22,661		(14,547)		8,114
Tax payable	1,997	(1,997)				–
Interest-bearing bank and other borrowings	37,419	(21,342)				16,077
Total current liabilities	194,988					33,147
NET CURRENT ASSETS	148,816					86,798

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	The Group as at 31 December 2013	Pro Forma Adjustments				Unaudited Pro Forma Remaining Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	
TOTAL ASSETS LESS CURRENT LIABILITIES	276,441					135,189
NON-CURRENT LIABILITIES						
Advances from shareholders	62,438	(62,438)				–
Net assets	214,003					135,189
EQUITY						
Equity attributable to owners of the Company						
Issued Capital	45,584					45,584
Reserves	146,905	(108,127)	(1,581)	110,013	(63,466)	83,744
	192,489					129,328
Non-controlling interests	21,514	(17,234)	1,581			5,861
Total equity	214,003					135,189

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	The Group for the year ended 31 December 2013	Pro Forma Adjustments				Unaudited Pro Forma Remaining Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	*Note (g)*
REVENUE	200,556	(112,105)				88,451
Cost of sales	(77,110)	3,233				(73,877)
Gross profits	123,446					14,574
Other income	6,462	(5,831)		305		936
Fair value gain on investment properties	300	(300)				–
Fair value gain on financial assets at fair value through profit or loss	11,323	(141)				11,182
Selling and distribution expenses	(7,509)	27				(7,482)
Administrative expenses	(100,055)	95,223				(4,832)
Other operating expenses	(1,444)	1,444				–
PROFIT FROM OPERATIONS	32,523					14,378
Finance costs	(5,117)	3,851				(1,266)
PROFIT BEFORE TAX	27,406					13,112
Income tax expense	(5,533)	5,315				(218)
PROFIT FOR THE YEAR	21,873					12,894

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group for the year ended 31 December 2013	Pro Forma Adjustments				Unaudited Pro Forma Remaining Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	*Note (g)*
Profit for the year attributable to:						
Owners of the Company	21,812	(9,424)	(318)	305		12,375
Non-controlling interests	61	140	318			519
Profit for the year	21,873					12,894
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Changes in fair value of available-for-sale financial assets	3,847					3,847
Exchange differences on translation of foreign operations	2,577	(2,141)				436
Other comprehensive income for the year	6,424					4,283
Total comprehensive income for the year	28,297					17,177
Total comprehensive income attributable to:						
Owners of the Company	27,470	(10,951)	(417)	305		16,407
Non-controlling interests	827	(474)	417			770
	28,297					17,177

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group for the year ended 31 December 2013	Pro Forma Adjustments				Unaudited Pro Forma Remaining Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	
Cash flows from operating activities						
Profit before tax	27,406	(14,599)		305		13,112
Adjustments for:						
Finance costs	5,117	(3,851)				1,266
Bank interest income	(106)	88				(18)
Write-off of trade receivables	94	(94)				–
Depreciation	2,773	(2,712)				61
Fair value gain on investment properties	(300)	300				–
Fair value gain on financial assets at fair value through profit or loss	(11,323)	141				(11,182)
Loss on disposal of items of property, plant and equipment	21	(21)				–
Write-back of trade and other payables	(51)	51				–
Gain on disposal of the Disposal Group	–			(305)		(305)
	23,631					2,934
Increase in inventories	(787)	(3)				(790)
Increase in trade and other receivables	(9,648)	(1,338)				(10,986)
Movements in balances with affiliates, net	–	10,135				10,135
Increase in trade and other payables	11,600	(9,918)				1,682
Cash generated from operations	24,796					2,975
Hong Kong profit tax paid	(4,338)	4,338				–
Oversea tax paid	(511)	78				(433)
Net cash flows from operating activities	19,947					2,542

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	The Group for the year ended 31 December 2013		Pro Forma Adjustments			Unaudited Pro Forma Remaining Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	
Cash flows from investing activities						
Purchases of items of property, plant and equipment	(2,800)	2,765				(35)
Purchase of available-for-sale financial assets	(9)	9				–
Interest received	106	(88)				18
Proceeds from disposal of financial assets at fair value through profit or loss:	505	(505)				–
Proceeds from disposal of items of property, plant and equipment	125	(125)				–
Proceeds of the Disposal	–			95,466		95,466
Payment of special dividend	–				(63,466)	(63,466)
Net cash flows from/(used in) investing activities	(2,073)					31,983
Cash flows from financial activities						
New bank and other borrowings	441,171	(432,893)				8,278
Repayment of bank loans	(468,113)	457,917				(10,196)
Advance to non-controlling shareholders of subsidiaries	(60)	(1)				(61)
Interest paid	(2,220)	954				(1,266)
Net cash flows used in financial activities	(29,222)					(3,245)
Net increase/(decrease) in cash and cash equivalents	(11,348)					31,280

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

	The Group for the year ended 31 December 2013	Pro Forma Adjustments				Unaudited Pro Forma Remaining Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note (a)	*Note (b)*	*Note (c)*	*Note (d)*	*Note (e)*	
Cash and cash equivalents at beginning of year	47,068	(44,883)				2,185
Effect of foreign exchange rate changes, net	768	(700)				68
Cash and cash equivalents at end of year	36,488					33,533

Notes:

(a) The balances are extracted from the audited financial statements of the Group as at 31 December 2013 included in the published annual report of the Group for the year ended 31 December 2013.

Pursuant to the Disposal Agreement, King Link Investments Limited ("King Link") and its subsidiary, 南京南華寶慶珠寶首飾有限公司 ("Nanjing Baoqing"), Four Seas Tours Limited ("Four Seas"), and Worldunity Investments Limited ("Worldunity"), subsidiaries of South China (BVI) prior to the Reorganisation, will continue to be subsidiaries and remaining business companies of the Company (collectively, the "Remaining Business Companies"), and together with the Company and certain new investment holding companies formed pursuant to the Reorganisation, will become the Remaining Group.

The following adjustments are included to reflect the effects of the Disposal on the assets and liabilities, profit or loss and cash flows of the Group as if the Disposal together with the Reorganisation required to be completed prior to the Disposal had taken place as at 31 December 2013, and 1 January 2013, respectively.

(b) The adjustment reflects the exclusion of assets and liabilities, and the results and cash flows of the Disposed Companies as at 31 December 2013 and for the year then ended, respectively.

Figures are extracted from the combined financial information of the Disposed Companies set out in note 4 to Appendix IIA to this Circular.

(c) The adjustment reflects the effects of the non-controlling interests in King Link (15%) and Four Seas (35%) owned by the Disposal Group as at 31 December 2013 as if the disposal of the respective equity interests had taken place at 1 January 2013. The effects on the pro forma consolidated statement of financial position are calculated at 15% and 35% respectively of the net assets of King Link Group and Four Seas as at 31 December 2013 attributable to the owners of the Company of HK$5,640,000 and HK$2,099,000, respectively. The effects on the pro forma consolidated statement of profit or loss and pro forma consolidated statement of comprehensive income are calculated at 15% and 35% respectively of the total comprehensive income of King Link Group and Four Seas for the year ended 31 December 2013 attributable to the owners of the Company of HK$659,000 and HK$909,000, respectively.

Notes: (Continued)

(d) The adjustment reflects the consideration received and the gain on disposal arising in the Remaining Group calculated as follows:

	Disposed Companies	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration	93,885	1,581	95,466
Waiver of balance due to the Disposal Group*	14,547	–	14,547
	108,432	1,581	110,013
Net assets of the Group as at 31 December 2013	190,908	1,581	192,489
Less: Net assets of the Remaining Group as at 31 December 2013	(82,781)	–	(82,781)
Less: Net assets of the Disposal Group as at 31 December 2013	108,127	1,581	109,708
Net gain on disposal	305	–	305

* The amount due to the Disposal Group will be waived by the Disposal Group in accordance with the Disposal Conditions which requires all indebtedness provided by the Disposal Group to the Remaining Group not in the ordinary course of business to be repaid fully and unconditionally discharged or released.

(e) The adjustment reflects the payment of a special dividend of HK$63,466,000 as one of the Disposal Conditions.

(f) Included in the results of the Remaining Group were revenue of HK$2,414,000 and segment profit of HK$909,000 generated by Four Seas from the Travel Agent Business (Corporate) since 15 October 2013.

Prior to 15 October 2013, such business was mainly conducted by HK Four Seas, one of the Disposed Companies, which generated revenue of HK$35,336,000 and segment profit HK$14,659,000 for the year ended 31 December 2013.

Such information was extracted from the financial information set out in Section A(II) note 3 of Appendix II to this Circular.

Other than adjustment (c) above, no other adjustments would have continuing effect in the future.

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 July 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of the Circular, the Group had outstanding borrowings of approximately HK$123.5 million, details of which are set out below:

	HK$ million (Approximately)
Bank borrowings, secured	10.9
Bank borrowings, unsecured	40.2
Other borrowings, unsecured	8.2
Shareholders' loans, unsecured	64.2
	123.5

The banking facilities of the Group were secured by certain assets which included certain inventories, trade and other receivables and bank deposits held by its subsidiaries. The secured bank borrowings of the Group of approximately HK$3.4 million and HK$7.5 million were guaranteed by the Company and an independent third party, respectively. The unsecured bank borrowings of the Group of approximately HK$40 million was guaranteed by the Company. The unsecured bank borrowings, other borrowings and shareholders' loan of the Group of approximately HK$0.2 million, HK$8.2 million and HK$64.2 million, respectively, were unsecured and not guaranteed by any party. No assets of the Remaining Group have been used as security for the banking facilities of the Disposal Group and vice versa.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, as at the close of business on 31 July 2014, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loan, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

Save for the indemnity to be provided to the Offeror, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 31 July 2014.

For the purpose of the above statement of indebtedness, amounts denominated in RMB have been translated into Hong Kong dollars at an exchange rate of RMB1=HK$1.2563.

3. MATERIAL CHANGE

The Directors confirm that save and except for (i) the Reorganisation (as defined in the circular of the Company dated 12 August 2014); (ii) the Share Purchase Completion, which resulted in the Offeror owning approximately 65% of all Shares in issue as at the Latest Practicable Date; (iii) the payment of the Special Dividend; (iv) the cessation of the Travelling Services Business (as defined in the circular of the Company dated 12 August 2014) by the Group subsequent to the Reorganisation; and (v) the change from net profit for the six months ended 30 June 2013 to net loss attributable to owners of the Company for the six months ended 30 June 2014 as a result of (a) the 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 previous corresponding period in 2013; (b) increase in legal costs; and (c) decrease in profit from the travel business of the Group resulted from the exchange loss and reduction in revenue caused by tightened incentive schemes offered by airlines and other factors including the air disaster and unstable political conditions of Thailand and Vietnam, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2013, being the date to which the latest published audited accounts of the Company as set out in Appendix II to this Composite Document were made up, up to the Latest Practicable Date.

4. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

It is expected that the Remaining Group would need to focus on the smooth transition of its management through the arrangements under the Service Agreement following the Disposal, thus it is not expected that the Remaining Group would have any major changes to its current business model, including its business focus, product types, target customers and supply chain.

The entering into of the Service Agreement is mainly for providing back-office support and other administrative services by HK Four Seas to Four Seas. As such, the provision of services by HK Four Seas to Four Seas will not have a material effect on the business model of the Travel Agent Business (Corporate). The arrangement of the purchase of air tickets from airline companies by HK Four Seas for sale to Four Seas on normal commercial terms will remain similar before and after the Disposal.

Four Seas will continue to strengthen its investments in sales and marketing to expand and diversify its business product types such as MICE (Meetings, Incentives, Conferences and Exhibitions), hotel booking and cruise products in order to widen its corporate client base in Hong Kong. Four Seas will seek cooperation opportunities with global joint venture partners to explore business opportunities with global and multi-national corporate customers.

For the Jewellery Business, the Company will continue to look for high potential points of sale in Nanjing and the surrounding cities in the PRC. In addition, the Company will strengthen and consolidate the scale of sales and profitability of the existing points of sale in the coming years in order to achieve improvement in revenue and profit.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Group and the Offer.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, its ultimate beneficial owner and parties acting in concert with them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the sole director of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Group, the Vendors and parties acting in concert with any of them), and confirms, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. CORPORATE INFORMATION OF THE COMPANY

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and its subsidiaries are principally engaged in the sale of air-tickets and other travel-related services, trading of jewellery products, and the Group's management services and other investment holding.

The address of its registered office is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands. The address of its head office and principal place of business in Hong Kong is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

3. SHARE CAPITAL AND SHARE OPTIONS OF THE COMPANY

The authorised share capital and the issued share capital of the Company as at the Latest Practicable Date were HK$100,000,000 divided into 4,000,000,000 Shares and HK$45,585,034.40 divided into 1,823,401,376 Shares respectively.

All existing issued Shares rank pari passu in all respect including all rights as to dividends, voting and interests in capital.

As at the Latest Practicable Date, the Company had no outstanding options, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares.

Since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Company were made up, and up to the Latest Practicable Date, the Company had not issued any new Shares.

4. MARKET PRICES

The table below shows the closing price of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the last Business Day immediately preceding the date of the Rule 3.7 Announcement; (iii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	**Closing price of Shares** *(HK$)*
31 October 2013	0.450
29 November 2013	0.465
31 December 2013	0.430
30 January 2014	0.435
28 February 2014	0.470
31 March 2014	0.450
24 April 2014 *(being the last Business Day immediately preceding the date of the Rule 3.7 Announcement)*	0.380
30 April 2014 *(being the Last Trading Day)*	0.475
30 May 2014	*Trading suspended*
30 June 2014	0.405
31 July 2014	0.780
29 August 2014	0.68
5 September 2014 *(being the Latest Practicable Date)*	0.62

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.89 per Share on 29 July 2014 and 5 August 2014 and HK$0.38 per Share on 23, 24, 25 April 2014 and 2, 7 July 2014, respectively.

5. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors in the Shares, underlying Shares and debentures of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position 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) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Name of Directors	Capacity	Number of Shares held	Approximate % of shareholding
Mr. Ng	Beneficial owner	71,652,200	3.94%
	Interest of controlled corporation *(Note)*	87,318,718	4.78%
Total		158,970,918	8.72%

Note: *The 87,318,718 Shares are held by Parkfield Holdings Limited, which is wholly owned by Mr. Ng.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

(b) Interests and short positions of the substantial shareholders in the Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital:

Name	Capacity	Number of Shares held	Approximate % of shareholding
The Offeror	Beneficial owner	1,185,210,894	65%
Mr. Shi *(Note 1)*	Interest of controlled corporation	1,185,210,894	65%
Ng Lai King, Pamela *(Note 2)*	Interest of spouse	158,970,918	8.72%

Notes:

1. This represents the same interest of the Offeror, which is wholly, beneficially and directly owned by Mr. Shi.

2. Ms. Ng Lai King, Pamela is the spouse of Mr. Ng and is deemed to be interested in the 158,970,918 Shares in which Mr. Ng is interested.

6. INTERESTS IN THE COMPANY AND THE OFFEROR AND ARRANGEMENTS IN CONNECTION WITH THE OFFER

As at the Latest Practicable Date,

(a) neither the Company nor the Directors was interested in or owned or controlled any shares, convertible securities, warrants, options or derivatives of the Offeror;

(b) save as disclosed in section 5 of this Appendix, neither CCBIS, the Offeror, its sole director nor parties acting in concert with the Offeror was interested in or owned or controlled any Shares, derivatives, warrants or convertible or exchangeable securities carrying rights to subscribe for, convert or exchange into, Shares;

(c) there was no shareholding in the Company which the Offeror or any party acting in concert with it borrowed or lent;

(d) there was no shareholding in the Company which the Company or any Directors had borrowed or lent;

(e) none of the subsidiaries of the Company or pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;

(f) save as disclosed in section 5 of this Appendix, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who was an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of "associate" under the Takeovers Code or with the Offeror or any person acting in concert with it;

(g) no Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by fund managers connected with the Company;

(h) no person had irrevocably committed himself or herself or itself to accept or reject the Offer;

(i) save for the arrangement of resignation contemplated thereunder as mentioned in the Joint Announcement and as set out under the section headed "Proposed change of the Board composition" in the "Letter from CCBI" of this Composite Document, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer;

(j) save for the arrangement of resignation as mentioned under the Joint Announcement and as set out under the section headed "Proposed change of the Board composition" in the "Letter from CCBI" of this Composite Document, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Offer;

(k) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which the Offeror may or may not invoke or seek to invoke a condition to the Offer;

(l) Save for the Share Charge and that such Shares may be pledged as security for financing arrangements relating to business ventures directly or indirectly controlled by Mr. Shi, the Offeror had no intention to transfer, charge or pledge the Shares acquired in pursuance of the Offer to any other persons nor had the Offeror entered into any such agreement, arrangement or understanding; and

(m) Mr. Ng, being a Director who is entitled to the Offer, intended to reject the Offer in respect of his own beneficial shareholdings in the Shares.

7. DEALINGS IN SECURITIES AND ARRANGEMENTS IN RELATION TO DEALINGS

During the Relevant Period,

(a) save as disclosed in section 6 of this Appendix and save for the Sale Shares and the Share Charge, neither the Offeror, its sole director nor parties acting in concert with the Offeror had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

(b) none of the Company or the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror;

(c) save for the Sale Shares, none of the Directors had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company;

(d) no fund managers who were connected with the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company which were managed on a discretionary basis;

(e) no person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company; and

(f) none of the subsidiaries of the Company and pension fund of the Company or of a subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

The Offeror confirms that as at the Latest Practicable Date,

(i) the Offeror, its ultimate beneficial owner, and/or parties acting in concert with any of them had not received any irrevocable commitment to accept the Offer;

(ii) there was no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owner and/or any person acting in concert with any of them;

(iii) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror, or any person acting in concert with the Offeror, and any other person, or between any other associate of the Offeror and any other person;

(iv) save for the Sale Shares, none of the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or convertible securities, options, warrants or derivatives of the Company;

(v) save for the Share Purchase Agreement, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owner and/or parties acting in concert with any of them was a party which relates to circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Offer; and

(vi) there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror and/or any person acting in concert with any of them had borrowed or lent.

8. DIRECTORS' SERVICE CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies (a) which (including continuous or fixed term contracts) were entered into or amended within six months before the commencement of the Offer Period; (b) which were continuous contracts with a notice period of 12 months or more; or (c) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

As at the Latest Practicable Date, none of the Directors had entered into any service contract or had an unexpired service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date, save and except the transactions contemplated under the Service Agreement, the Four Seas Shareholders Agreement (as defined below) and the King Link Shareholders Agreement (as defined below).

No benefit (other than statutory compensation) has been or will be given to any Director as compensation for loss of office or otherwise in connection with the Offer.

There was no material contract to which the Offeror is a party in which any Director has a material personal interest save for the Share Purchase Agreement.

9. LITIGATION

As at the Latest Practicable Date, save as disclosed in the circular of the Company dated 12 August 2014, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

10. MATERIAL CONTRACTS

The Company or any of its subsidiaries had, within the two years preceding the date of the Rule 3.7 Announcement, being 25 April 2014, and up to and including the Latest Practicable Date, entered into the following contracts which was or might be material, other than contracts in the ordinary course of business of the Group:

(a) the Disposal Agreement;

(b) the Deed of Assignment;

(c) the Service Agreement;

(d) shareholders' agreement dated 4 September 2014 entered into among Sleek City Limited, Four Seas Travel (BVI) Limited and Four Seas to govern the shareholders' interest in Four Seas ("Four Sea Shareholders Agreement"); and

(e) shareholders' agreement dated 4 September 2014 entered into among Sleek City Limited, Tek Lee Finance and Investment Corporation Limited and King Link Investments Limited to govern the shareholders' interest in King Link Investments Limited ("King Link Shareholders Agreement").

11. CONSENTS AND QUALIFICATIONS

The followings are the names and the qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualifications
CCBI	a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and which is the financial adviser to the Offeror in respect of the Offer

Hercules Capital Limited	a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and which is the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Offer

CCBI and Hercules Capital Limited have given and have not withdrawn their respective written consents to the issue of this Composite Document with the inclusion herein of their respective letters, opinions or advice (as the case may be) and references to their names in the form and context in which they respectively appear.

As at the Latest Practicable Date, neither CCBI nor Hercules Capital Limited had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

12. GENERAL

As at the Latest Practicable Date:

(a) The registered office of the Offeror was situated at NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands. The sole director and sole shareholder of the Offeror was Mr. Shi and his correspondence address was Room 2603, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(b) The registered office of the Company was situated at Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands. The Company's head office and principal place of business in Hong Kong was situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Board comprised Mr. Ng, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Yuk Fung Peter as executive Directors, Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive Directors, and Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth, and Mr. Cheng Hong Kei as independent non-executive Directors.

(c) The company secretary of the Company was To Suen Fan.

(d) The registered office of CCBI was situated at 12/F., CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

(e) The registered office of the Independent Financial Adviser was situated at 1503 Ruttonjee House, 11 Duddell Street, Central, Hong Kong.

(f) In the event of inconsistency, the English texts of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection, during the period from 10 September 2014, being the date of this Composite Document, for so long as the Offer remains open for acceptance, at (i) the website of the SFC at http://www.sfc.hk; (ii) the website of the Company at http://www.sctrade.com, and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m., except for Saturdays, Sundays and public holidays) the office of Deacons at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Offeror;

(c) the annual reports of the Company for each of the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 respectively;

(d) a copy of this Composite Document;

(e) the letter dated 10 September 2014 from the Board as set out on pages 10 to 14 of this Composite Document;

(f) the letter dated 10 September 2014 from CCBI as set out on pages 15 to 27 of this Composite Document;

(g) the letter dated 10 September 2014 from the Independent Board Committee to the Independent Shareholders as set out on pages 28 to 29 of this Composite Document;

(h) the letter dated 10 September 2014 from the Independent Financial Adviser to the Independent Board Committee as set out on pages 30 to 48 of this Composite Document;

(i) the letters of consent referred to under the paragraph headed "Consents and qualifications" in this Appendix;

(j) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix; and

(k) the agreement pursuant to which the CCBIS Facility was made.