THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, 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 circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in South China Holdings Limited.

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

(1) VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND SPECIAL DEALS IN RELATION TO THE DISPOSAL AGREEMENT (2) POSSIBLE CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS, AND (3) NOTICE OF THE EGM

Independent financial adviser to
the Independent Board Committees and the Independent Shareholders

Hercules

Hercules Capital Limited

A letter from the Takeovers Code Independent Board Committee, containing its advice to the Independent Shareholders in relation to the Special Deals and the respective transactions contemplated thereunder is set out on page 71 of this circular. A letter from the Listing Rules Independent Board Committee, containing its advice to the Independent Shareholders in relation to the Connected Transactions and the respective transactions contemplated thereunder is set out on pages 72 to 73 of this circular. A letter from Hercules Capital Limited containing its advice to the Independent Board Committees and the Independent Shareholders is set out on pages 74 to 107 of this circular.

A notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 29 August 2014 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

12 August 2014

CONTENTS

In this circular, unless the context otherwise requires, the following terms have the following meanings:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"Assignment"	the assignment by the Company of, among others, any rights, benefits, liabilities, as the plaintiff in certain litigation cases to a company or companies in which Mr. Ng has an interest pursuant to the Deed of Assignment, further details of which are set out in the section headed "THE DISPOSAL – The Deed of Assignment" in the Letter from the Board of this circular
"associates"	has the meaning ascribed thereto 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"	means a day on which banks in Hong Kong are open for business, other than a Saturday or a Sunday; or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"BVI"	British Virgin Islands
"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 for the purposes of the SFO and which is the financial adviser to the Offeror in respect of the Offer
"CCBIS Facility"	a margin loan facility of up to HK$182 million granted by CCB International Securities Limited, a fellow subsidiary of CCBI

"Company"	South China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 265)
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"Connected Transactions"	the possible connected transactions between the Disposal Group and the Remaining Group, details of which are described in the section headed "POSSIBLE CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS" in the Letter from the Board of this circular
"Continuing Business of the Disposed Companies"	the Travelling Services Business conducted by HK Four Seas and other investment holding businesses conducted by the Disposed Companies
"Deed of Assignment"	the deed of assignment to be entered into between the Company and a company or companies in which Mr. Ng has an interest whereby the Company shall assign, among others, the rights and benefits and liabilities of certain litigation cases as the plaintiff to such company or companies relating to Mr. Ng
"Director(s)"	director(s) of the Company
"Disposal"	the conditional sale by the Company of the entire issued share capital of South China (BVI), which will hold the Disposal Group after the Reorganisation
"Disposal Agreement"	the agreement dated 30 April 2014 entered into between the Company and Tremendous Success in respect of the Disposal, as amended by the supplemental agreement dated 24 June 2014 entered into between the Company and Tremendous Success
"Disposal Completion"	completion of the sale and purchase of the Disposal Shares under the Disposal Agreement
"Disposal Condition(s)"	condition(s) precedent to the Disposal Completion, further details of which are set out in the section headed "THE DISPOSAL – Disposal Conditions" in the Letter from the Board of this circular
"Disposal Consideration"	the consideration of the Disposal

"Disposal Group"	South China (BVI) and its subsidiaries and associated companies after the Reorganisation
"Disposal Shares"	the entire issued share capital of South China (BVI)
"Disposed Companies"	South China (BVI) and its subsidiaries excluding the Remaining Business Companies
"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
"EGM"	extraordinary general meeting of the Company to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 29 August 2014 at 3:00 p.m. for the purpose of, amongst other things, approving the Special Dividend, the Special Deals and the Connected Transactions and the transactions contemplated thereunder by the Independent Shareholders
"encumbrance"	any mortgage, charge, pledge, lien (otherwise than arising by statue or operation of law), equities, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegates of the Executive Director
"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 Remaining Group Company after the Disposal
"Four Seas (BVI)"	Four Seas Travel (BVI) Limited, a company incorporated in the BVI with limited liability, a member of the Disposal Group which will hold 35% of Four Seas after the Disposal
"Four Seas Shareholders' Agreement"	the shareholders' agreement to be entered into among New Holdco 2, Four Seas (BVI) and Four Seas to govern the shareholders' interest in Four Seas
"Group"	the Company and its subsidiaries

"Guarantor"	Ms. Cheung
"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, a member of the Disposal Group after the Disposal which may provide certain services to Four Seas after the Disposal pursuant to the Service Agreement
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committees"	collectively, the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee
"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 Committees and the Independent Shareholders on the terms of the Offer and the Special Deals and the Connected Transactions as well as the respective transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than (i) the Vendors, their associates and parties acting in concert with any of them; (ii) the Offeror, its ultimate beneficial owner(s) and any parties acting in concert with any of them; and (iii) any Shareholders who are involved in or interested in the Share Purchase Agreement, the Special Deals, the Connected Transactions and/or the transactions contemplated therein
"Janful"	Janful Limited (晉晧有限公司), a company incorporated in Hong Kong with limited liability, a member of the Disposal Group
"Jewellery Business"	the trading of jewellery products being conducted by Nanjing Baoqing

"Joint Announcement"	the joint announcement made by the Company and the Offeror on 25 June 2014 in relation to, among other things, the Offer, the Special Deals and the Connected Transactions
"King Link"	King Link Investments Limited (聯勁投資有限公司), a company incorporated in Hong Kong with limited liability, being a Remaining Group Company after the Disposal
"King Link Group"	King Link and its subsidiary, Nanjing Baoqing
"King Link Shareholders' Agreement"	the shareholders' agreement to be entered into among New Holdco 2, Tek Lee and King Link to govern the shareholders' interest in King Link
"Last Trading Day"	30 April 2014, being the last full trading day for the Shares prior to the entering into of the Share Purchase Agreement
"Latest Practicable Date"	8 August 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Listing Rules Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, which is established by the Company to make recommendations to the Independent Shareholders in respect of the Connected Transactions and the respective transactions contemplated thereunder
"Longstop Date"	31 August 2014, or such later date as may be agreed among the Vendors and the Offeror in writing
"Mr. Ng"	Mr. Ng Hung Sang, an executive Director, the chairman of the Board and a substantial Shareholder
"Mr. Shi"	Mr. Shi Baodong (石保棟), the sole beneficial owner of the Offeror
"Ms. Cheung"	Ms. Cheung Choi Ngor, an executive Director who she is interested in 20% of the shareholding of Earntrade

"Nanjing Baoqing"	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 subsidiary of King Link, being a Remaining Group Company after the Disposal
"New Holdco 1"	Broad Vantage Limited, an investment holding company incorporated in the BVI with limited liability, being a Remaining Group Company and a direct wholly-owned subsidiary of the Company, which will hold the entire issued share capital of Worldunity after the Disposal
"New Holdco 2"	Sleek City Limited, an investment holding company incorporated in the BVI with limited liability, being a Remaining Group Company, and a direct wholly-owned subsidiary of the Company, which will hold 65% of Four Seas and 85% of King Link after the Disposal
"Offer"	the unconditional mandatory general cash offer to be 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 in accordance with the Takeovers Code as a result of (and subject to and upon) Share Purchase Completion
"Offer Period"	has the meaning ascribed thereto in the Takeovers Code
"Offer Price"	the cash amount of HK$0.27425 payable by the Offeror for each Share in respect of the Offer
"Offer Share(s)"	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, a company incorporated under the BVI
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong

* *For identification purposes only*

"PRC"	People's Republic of China which, for the purposes of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qualifying Shareholders"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	3 September 2014, being the record date to determine entitlements of the Shareholders to the Special Dividend
"Registrar"	the share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
"Remaining Business"	the businesses as carried on by each of the Remaining Group Companies including the Travel Agent Business (Corporate) and the Jewellery Business, after the Disposal
"Remaining Business Companies"	Four Seas, King Link, Nanjing Baoqing and Worldunity
"Remaining Group" or "Remaining Group Company(ies)"	the Company and its subsidiaries after the Disposal, including New Holdco 1, New Holdco 2, Four Seas, King Link, Nanjing Baoqing and Worldunity
"Reorganisation"	the proposed reorganisation of the Group to be undertaken by the Company for the purpose of Disposal Completion
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share(s)"	a total of 1,185,210,894 Shares agreed to be acquired by the Offeror from the Vendors pursuant to the terms of the Share Purchase Agreement, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date
"Service Agreement"	the service agreement to be entered into among the Company, Four Seas and HK 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 share capital of the Company as at the Latest Practicable Date
"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 under the Share Purchase Agreement
"Share Purchase Completion Date"	the date of the Share Purchase Completion, which shall be the third Business Day after the fulfilment (or, where applicable, waiver) of the last of the Share Purchase Conditions (or such later date as may be agreed by the Vendors and the Offeror in writing)
"Share Purchase Condition(s)"	condition(s) precedent to the Share Purchase Completion, further details of which are set out in the section headed "THE SHARE PURCHASE AGREEMENT – Completion Conditions" in the Letter from the Board of this circular
"Share Purchase Price"	HK$325,044,087, being the total consideration payable by the Offeror to the Vendors for the purchase of the Sale Shares
"Shareholders"	holder(s) of the Share(s)
"South China (BVI)"	South China (BVI) Limited, a company incorporated in the BVI with limited liability, a member of the Disposal Group
"South China (BVI) Group"	South China (BVI) and its subsidiaries before the Reorganisation

"Special Deal(s)"	the Disposal (including the transaction contemplated under the Deed of Assignment) and the Service Agreement as special deals under Rule 25 of the Takeovers Code
"Special Dividend"	subject to, among other things, and following Disposal Completion, the special dividend in cash to be proposed by the Board, details of which are set out in the section headed "DECLARATION OF SPECIAL DIVIDEND" in the Letter from the Board of this circular
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Code on Takeovers and Mergers
"Takeovers Code Independent Board Committee"	an 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 relevant transactions, 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 make recommendations to the Independent Shareholders in respect of the Special Deals and the respective transactions contemplated thereunder
"Tek Lee"	Tek Lee Finance And Investment Corporation Limited (德利投資有限公司), an investment holding company incorporated in Hong Kong with limited liability, a member of the Disposal Group which will hold 15% of King Link after the Disposal
"Travel Agent Business (Corporate)"	the sale of air tickets and other travel-related services principally provided to corporate clients being conducted by Four Seas from 15 October 2013 as a result of an internal reorganisation and mainly conducted by HK Four Seas prior to the internal reorganisation
"Travelling Services Business"	the sale of air tickets and other travel-related services principally provided to travel agents being conducted by HK Four Seas and certain other Disposal Group companies
"Tremendous Success"	Tremendous Success Holdings Limited, an investment holding company incorporated in the BVI with limited liability, which is wholly owned by Mr. Ng

"Vendors"	Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade
"Worldunity"	Worldunity Investments Limited (世統投資有限公司), a company incorporated in Hong Kong with limited liability, being a Remaining Group Company after the Disposal
"%"	per cent.

The expected timetable set out below is indicative only and subject to change. Further announcement(s) will be made by the Company as and when appropriate.

	2014
Latest time for lodging form of proxy in respect of the EGM *(Note 1)*	27 August
EGM	29 August
Assuming all the resolutions proposed at the EGM are passed:	
Last day of dealings in the Shares cum-entitlement to the proposed Special Dividend *(Note 2)*	1 September
First day of dealings in the Shares ex-entitlement to the proposed Special Dividend *(Note 2)*	2 September
Latest time for lodging transfers of the Shares with the Registrar in order to be qualified for the proposed Special Dividend	3 September
Record Date for determining the entitlements of the Qualifying Shareholders to the Special Dividend	3 September
Expected date of despatch of the cash cheque for the proposed Special Dividend to the Qualifying Shareholders	15 September

Notes:

1. The form of proxy should be lodged with the Registrar as soon as possible and in any event not later than the time and date stated above. Completion and return of a form of proxy for the EGM will not preclude a Shareholder from attending and voting in person at the EGM if he or she so wishes. In such event, the returned form of proxy will be deemed to have been revoked.

2. The distribution of the proposed Special Dividend is subject to Disposal Completion.

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

12 August 2014

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND SPECIAL DEALS IN RELATION TO THE DISPOSAL AGREEMENT; AND (2) POSSIBLE CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

INTRODUCTION

SHARE PURCHASE AGREEMENT

Reference is made to the Joint Announcement issued on 25 June 2014.

The Offeror and the Company jointly announced that on 30 April 2014 (after trading hours), the Offeror and the Vendors entered into the Share Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase and the Vendors have conditionally 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 HK$0.27425 per Sale Share). The Sale Shares represent approximately 65% of the issued share capital of the Company as at the Latest Practicable Date.

Share Purchase Completion is conditional upon the conditions described in the section headed "THE SHARE PURCHASE AGREEMENT – Completion Conditions" in this circular. Share Purchase Completion shall take place on the third Business Day after the day on which the last of the Share Purchase Conditions is fulfilled (or, where applicable, waived) or such other date as may be agreed by the Vendors and the Offeror in writing.

POSSIBLE UNCONDITIONAL MANDATORY GENERAL CASH OFFER

As at the Latest Practicable Date, the Offeror and parties acting in concert with it are not interested in the share capital or voting rights of the Company, other than the interest in the Sale Shares under the Share Purchase Agreement. Immediately after Share Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 1,185,210,894 Shares, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror will be required to make a unconditional mandatory general offer in cash for all the issued Shares (other than those already acquired or agreed to be acquired by the Offeror and parties acting in concert with it) upon Share Purchase Completion.

Subject to Share Purchase Completion, CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, will make the Offer on the terms to be set out in the composite offer document to be issued in accordance with the Takeovers Code on the following basis:

For each Share accepted under the Offer . . . . HK$0.27425 in cash

After Disposal Completion and Share Purchase Completion, the Company shall assign, among others, the rights and benefits and liabilities of certain litigation cases (the "Cases") as the plaintiff to a company or companies which Mr. Ng has an interest in, as Mr. Ng has genuine commercial interest in continuing as plaintiff in the Cases.

As at the Latest Practicable Date, the Company had 1,823,401,376 Shares in issue. As the Offeror and parties acting in concert with it will own 1,185,210,894 Shares subject to and immediately after Share Purchase Completion, 638,190,482 Shares will be subject to the Offer and the total consideration of the Offer would be approximately HK$175,023,740 based on the Offer Price. The principal terms of the possible Offer are summarised in the section headed "POSSIBLE UNCONDITIONAL MANDATORY GENERAL CASH OFFER" of this letter.

The Offer Price of HK$0.27425 per Offer Share is the same as the price per Sale Share paid by the Offeror to the Vendors under the Share Purchase Agreement.

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.

It is the intention of the Offeror and the Company that the offer document and the offeree board circular be combined in a composite document. Under the Takeovers Code, the composite document should be despatched to Shareholders within 21 days of the date of the Joint Announcement or such other date as may be approved by the Executive. As there is a pre-condition (i.e. Share Purchase Completion) to the making of the Offer, application has been made by the Offeror and the Company for the Executive's consent under note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for despatch of the composite document to within seven days from Share Purchase Completion. The Executive's consent was granted on 4 July 2014 to extend the latest time for despatch of the composite document to seven days of Share Purchase Completion, or 10 September 2014, whichever is earlier. The composite document will set out, among other things, details of the Offer, a letter of advice from the Takeovers Code Independent Board Committee in relation to the Offer and a letter of advice from the Independent Financial Adviser appointed to advise the Takeovers Code Independent Board Committee in respect of the Offer.

THE DISPOSAL AGREEMENT

The Company also announced that on 30 April 2014 (after trading hours), the Company and Tremendous Success entered into the Disposal Agreement, pursuant to which the Company agreed to sell and Tremendous Success agreed to purchase the entire issued share capital of South China (BVI), which will hold the Disposal Group after the Reorganisation. The Disposal (including the transactions contemplated under the Deed of Assignment) constitutes a special deal for the Company under note 4 to Rule 25 of the Takeovers Code and therefore requires the consent of the Executive. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the EGM. Completion of the Disposal Agreement and the Share Purchase Agreement are inter-conditional and shall take place simultaneously.

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the entire issued share capital of Tremendous Success was wholly, beneficially and directly owned by Mr. Ng, an executive Director, the chairman of the Board and a substantial Shareholder. Accordingly, Tremendous Success is a connected person of the Company. As such, the Disposal also constitutes a connected transaction for the Company pursuant to Rule 14A.25 of the Listing Rules, and is therefore subject to the announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Company has made an application to the Executive for consent under note 4 to Rule 25 of the Takeovers Code in relation to the Disposal.

POSSIBLE CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

After Disposal Completion and Share Purchase Completion, certain arrangements between the Disposal Group and the Remaining Group may be entered into. Upon Disposal Completion, Four Seas will be held as to 65% and 35% by New Holdco 2, which is a member of the Remaining Group, and Four Seas (BVI), which is a member of the Disposal Group, respectively. New Holdco 2, Four Seas (BVI) and Four Seas will enter into the Four Seas Shareholders' Agreement at Disposal Completion to govern the shareholders' interest in Four Seas. Similarly, upon Disposal Completion, King Link will be held as to 85% and 15% by New Holdco 2, which is a member of the Remaining Group, and Tek Lee, which is a member of the Disposal Group, respectively. New Holdco 2, Tek Lee and King Link will enter into the King Link Shareholders' Agreement at Disposal Completion to govern the shareholders' interest in King Link.

According to the Share Purchase Agreement, the Company, Four Seas and HK Four Seas shall enter into the Service Agreement, pursuant to which HK Four Seas will provide certain information technology, trademarks licensing, back office support and air ticket purchase agency services to Four Seas.

As members of the Disposal Group are connected persons of the Company, the aforesaid arrangements contemplated under the Four Seas Shareholders' Agreement, the King Link Shareholders' Agreement and the Service Agreement will constitute continuing connected transactions of the Company. Also, the Assignment, which will be carried out pursuant to the Deed of Assignment, will constitute a connected transaction of the Company. The Company will comply with the annual review (as the case may be), announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if and to extent that they are applicable.

The Service Agreement will also constitute a special deal under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Service Agreement. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the EGM.

DECLARATION OF SPECIAL DIVIDEND

The Board proposes that, subject to and upon Disposal Completion, the Special Dividend of approximately HK$63.466 million will be declared and paid to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. Based on 1,823,401,376 Shares in issue as at the Latest Practicable Date, the proposed Special Dividend will be approximately HK$0.0348 per Share. The proposed Special Dividend will be paid in cash out of the Company's reserves which will be partly contributed by the net proceeds to be received by the Company from the Disposal. An ordinary resolution will be put forward at the EGM for declaration of the Special Dividend.

The payment of the Special Dividend is conditional upon, inter alia, Disposal Completion.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Purchase Agreement, the Disposal Agreement, the possible Connected Transactions and the Special Deals; (ii) further information on the Reorganisation and the payment of the Special Dividend; (iii) financial information of each of the Group and the Disposal Group; (iv) pro forma financial information of the Remaining Group; (v) the letter of recommendation from the Takeovers Code Independent Board Committee, the letter of recommendation from the Listing Rules Independent Board Committee, and the letter of advice from Hercules Capital Limited to the Independent Board Committees and the Independent Shareholders; and (vii) a notice convening the EGM together with the proxy form and other information as required under the Listing Rules.

THE SHARE PURCHASE AGREEMENT

Date 30 April 2014 (after trading hours)

Parties

Vendors:

(1) Parkfield Holdings Limited, which directly holds 371,864,000 Shares, representing approximately 20.39% of the issued share capital of the Company as at the Latest Practicable Date, of which it has agreed under the Share Purchase Agreement to sell 284,545,282 Shares, representing approximately 15.61% of the issued share capital of the Company as at the Latest Practicable Date (note 1);

(2) Fung Shing Group Limited, which directly holds 396,050,252 Shares, representing approximately 21.72% of the issued share capital of the Company as at the Latest Practicable Date (note 2);

(3) Ronastar Investments Limited, which directly holds 16,665,600 Shares, representing approximately 0.91% of the issued share capital of the Company as at the Latest Practicable Date (note 3);

(4) Bannock Investment Limited, which directly holds 237,303,360 Shares, representing approximately 13.01% of the issued share capital of the Company as at the Latest Practicable Date (note 4); and

	(5) Earntrade Investments Limited, which directly holds 250,646,400 Shares, representing approximately 13.75% of the issued share capital of the Company as at the Latest Practicable Date (notes 5 and 6).
Purchaser:	Orient Victory Real Estate Group Holdings Limited, a company incorporated in the BVI and which is wholly, beneficially and directly owned by Mr. Shi.
Guarantor of the obligations of the Vendors under the Share Purchase Agreement:	Ms. Cheung, an executive Director and she is interested in 20% of the shareholding of Earntrade

Notes:

As at the Latest Practicable Date:

1. Parkfield Holdings Limited was wholly owned by Mr. Ng. Mr. Ng will hold 87,318,718 Shares through Parkfield Holdings Limited and 71,652,200 Shares as beneficial owner immediately after Share Purchase Completion.

2. Fung Shing Group Limited was wholly owned by Mr. Ng.

3. Ronastar Investments Limited was wholly owned by Mr. Ng.

4. Bannock was a wholly-owned subsidiary of Earntrade which was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung.

5. Earntrade was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung.

6. Earntrade was interested in a total of 487,949,760 Shares, under which 250,646,400 Shares were directly held by Earntrade as beneficial owner and 237,303,360 Shares were directly held by Bannock, a wholly-owned subsidiary of Earntrade.

Subject of the Share Purchase Agreement

Pursuant to the Share Purchase Agreement, the Offeror has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Shares, being 1,185,210,894 Shares in aggregate, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date, free from any encumbrance and together with all rights and benefits (save for the Special Dividend) attaching or accruing thereto on or after the Share Purchase Completion Date at the Share Purchase Price. The Offeror shall not be obliged to complete the purchase of any of the Sale Shares unless the purchase of all of the Sale Shares is completed simultaneously.

Immediately after Share Purchase Completion, Parkfield Holdings Limited will hold 87,318,718 Shares.

Share Purchase Price

The total purchase price for the Sale Shares of HK$325,044,087 (equivalent to HK$0.27425 per Sale Share) was agreed by the Offeror and the Vendors after arm's length negotiations, with reference to, among others, the net asset value of the Company and the Remaining Group Companies (on a combined basis) as of 31 December 2013, the Special Dividend and the listing status of the Company.

Manner of payment of the Share Purchase Price

The Share Purchase Price is payable by the Offeror to the Vendors in the following manner:

(i) upon signing of the Share Purchase Agreement, a deposit of HK$32,504,408.70 (the "Deposit") has been paid by the Offeror to the Guarantor and which shall, upon Completion, be applied as part payment of the Share Purchase Price and be released to the Vendors; and

(ii) at Share Purchase Completion, subject to the Vendors having performed their obligations in relation to Share Purchase Completion, the Offeror shall pay HK$292,539,678.30 being the balance of the total Share Purchase Price to Earntrade or any other designated person as the Vendors may direct.

Completion conditions

Share Purchase Completion is conditional upon, among other things:

(i) the warranties, representations and/or undertakings given by the Vendors and the Guarantor in the Share Purchase Agreement remaining true and accurate in any material respect and not misleading as given as at the date of the Share Purchase Agreement and as at Share Purchase Completion, and as if given at all times between the date of the Share Purchase Agreement and Share Purchase Completion Date;

(ii) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse effect on the business, operations, prospects or financial condition, or a material portion of the properties or assets, of the Remaining Group Companies as a whole;

(iii) all approvals, authorisations, consents, licences, certificates, permits, concessions, agreements or other permissions of any kind of, from or by any governmental authority, regulatory body or other third party necessary for the consummation of the transactions contemplated in the Share Purchase Agreement, including but not limited to the consent letter(s) ("**Nanjing Consent**") from the Hongwu branch of Bank of Nanjing (南京銀行洪武支行) in relation to the bank loans borrowed by Nanjing Baoqing in the principal amount of RMB6 million, having been obtained on terms reasonably acceptable to the Offeror by the Vendors and the Company and remaining in full force and effect;

(iv) there being no applicable law which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of any of the transactions contemplated under the Share Purchase Agreement;

(v) all relevant consents and approvals from third parties as may be necessary in conjunction with the proposed change in shareholdings of the Company, Four Seas and King Link having been obtained and remaining in full force and effect so as to ensure that the Remaining Group maintains all its existing contractual and other rights in their current state following Share Purchase Completion except for the changes arising from the ordinary course of business during the period from the date of the Share Purchase Agreement to Share Purchase Completion;

(vi) there being no bona fide legal, administrative or arbitration action, suit, complaint, charge, hearing, injunction, enquiry, investigation or proceedings in effect, pending or genuinely threatened as of the Share Purchase Completion before any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seek to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated under the Share Purchase Agreement;

(vii) the listing status of the Company on the Stock Exchange not having been revoked or withdrawn at any time prior to Share Purchase Completion, the Shares continuing to be traded on the Stock Exchange at any time prior to the Share Purchase Completion (save for any temporary suspension for no longer than 10 consecutive trading days or such other period as the Offeror may agree in writing or the temporary suspension in connection with transactions contemplated under the Share Purchase Agreement including, without limitation, the Disposal Agreement) and there being no indication from the Stock Exchange or the Executive that the listing status of the Company will be suspended, cancelled, revoked or withdrawn at any time after the Share Purchase Completion as a result of the transactions contemplated under the Share Purchase Agreement and the Disposal Agreement;

(viii) no obligation (including but not limited to trading halt and/or suspension of trading of the Shares) on the Company concerning sufficiency of operations or assets and/or cash company issue under all relevant Listing Rules (including but not limited to Rules 13.24 and 14.82 of the Listing Rules) having been triggered or decided by the Stock Exchange or the SFC which is unable to be resolved by the Company absolutely to the satisfaction of the Stock Exchange or the SFC prior to the Longstop Date, and neither the Stock Exchange nor the SFC having indicated that either one of them will object to, suspend, cancel, revoke, withdraw or otherwise have any concerns about the continued listing of the Shares for reasons relating to or arising from the transactions contemplated under the Share Purchase Agreement and the Disposal Agreement including but not limited to Rules 13.24 and 14.82 of the Listing Rules;

(ix) all indebtedness having been repaid (save for certain indebtedness including, among others, the working capital loan agreements entered into by the Remaining Group during the ordinary course of business and trade receivables payable by the Remaining Group to the Disposal Group and other indebtedness agreed between the Vendors and the Purchaser set forth in the Share Purchase Agreement), and all guarantees, pledges, indemnities and other securities provided by the Remaining Group to secure any indebtedness or liabilities of the Disposal Group as set forth in the Share Purchase Agreement having been fully, absolutely and unconditionally discharged or released;

(x) the Stock Exchange and the SFC advising that they have no further comment on the Joint Announcement released in connection with the transactions contemplated under the Share Purchase Agreement and the publication of the Joint Announcement on the Stock Exchange's website;

(xi) the passing of all the requisite resolution(s) by the Independent Shareholders to approve the transactions contemplated under the Share Purchase Agreement and, where applicable, the Disposal Agreement, the Service Agreement, the Four Seas Shareholders' Agreement, the King Link Shareholders' Agreement and the Assignment in accordance with the requirements under the Listing Rules and the Takeovers Code;

(xii) the consent of the Executive in relation to the Disposal Agreement and the Service Agreement and the transactions contemplated thereunder (including the transactions contemplated under the Deed of Assignment) as special deals under Rule 25 of the Takeovers Code having been obtained, and any condition for the giving of such consent having been fulfilled, and such consent not having been revoked prior to completion of the Disposal Agreement and the entering into of the Service Agreement and the Deed of Assignment;

(xiii) the conditions precedent under the Disposal Agreement (including the completion of the Reorganisation at the sole cost of the Vendors) having been fulfilled or waived (save for the condition requiring the Share Purchase Agreement to become unconditional) and the completion of the Disposal Agreement taking place in accordance with its terms simultaneously with Share Purchase Completion;

(xiv) the declaration of the Special Dividend by the Company to the Qualifying Shareholders in an amount of approximately HK$63.466 million which is to be satisfied wholly by the distributable reserves of the Company; and

(xv) certain outstanding litigations in which the Company acted as one of the plaintiffs and which were commenced more than 8 years ago and were inactive as at the Latest Practicable Date (which will not be assigned under the Assignment) having been terminated.

The Offeror may, at its absolute discretion, waive any of the above conditions (except conditions set out in paragraphs (iii) (save as the obtaining of the Nanjing Consent), (iv), (x), (xi), (xii) and (xiii) above which cannot be waived).

Share Purchase Completion is conditional upon all the Share Purchase Conditions being fulfilled (or, where applicable, waived by the Offeror) on or before the Longstop Date. Share Purchase Completion shall take place on the third Business Day after the day on which the last of the Share Purchase Conditions is fulfilled (or, otherwise, waived) or such other date as may be agreed by the Vendors and the Offeror in writing. As at the Latest Practicable Date, save for condition (x) which had been satisfied, none of the above conditions to the Share Purchase Agreement had been waived or fulfilled.

If any of the Share Purchase Conditions set out above have not been fulfilled (or, otherwise, waived by the Offeror) on or before 31 August 2014, or such later date as may be agreed between Vendors and the Offeror in writing (except the condition set out in paragraph (xiii) above which shall take place simultaneously with Share Purchase Completion), the Share Purchase Agreement shall lapse and cease to have any effect except for certain clauses specified therein, the Guarantor shall refund the Deposit (together with the interest accrued thereon) to the Offeror and no parties to the Share Purchase Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof and any claims arising out of certain continuing provisions specified in the Share Purchase Agreement.

POSSIBLE UNCONDITIONAL MANDATORY GENERAL CASH OFFER

As at the Latest Practicable Date, the Offeror and parties acting in concert with it were not interested in any Shares, other than the interest in Sale Shares under the Share Purchase Agreement. Immediately after Share Purchase Completion, the Offeror and parties acting in concert with it will be interested in a total of 1,185,210,894 Shares, representing approximately 65% of the issued share capital of the Company as at the Latest Practicable Date and the Offeror will be required to make an unconditional mandatory general cash offer for all the issued Shares (other than those already acquired or agreed to be acquired by the Offeror and parties acting in concert with it) upon Share Purchase Completion pursuant to Rule 26.1 of the Takeovers Code.

Warning: The Offer is a possibility only.

The Offer will only be made if the Share Purchase Agreement is completed. Share Purchase Completion is conditional upon the fulfilment (or, where applicable, waiver) of all the conditions referred to in the section headed "THE SHARE PURCHASE AGREEMENT – Completion Conditions" in this letter. Accordingly, the Offer may or may not be made. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

The Offer, if made, will be on the terms mentioned below.

Principal terms of the Offer

Subject to and upon Share Purchase Completion, CCBI, on behalf of the Offeror and in compliance with the Takeovers Code, will make an unconditional mandatory general cash offer 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) on the terms to be set out in the composite document to be issued in accordance with the Takeovers Code on the following basis:

For every Share accepted under the Offer . . . . HK$0.27425 in cash

The Offer Price is the same as the purchase price per Sale Share under the Share Purchase Agreement and was arrived at after arm's length negotiations between the Offeror and the Vendors.

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

The Shares to be acquired under the Offer shall be fully paid, free from all liens, charges and encumbrances.

Save for the Shares, the Company has no outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Save for the Share Purchase Agreement, 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, convertible securities, warrants or options in the Company during six months immediately prior to the commencement of the Offer Period (i.e. 25 April 2014) and up to the Latest Practicable Date.

Comparisons of value

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

(i) 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;

(ii) a discount of approximately 40.77% to the average of the closing prices of HK$0.463 per Share as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;

(iii) a discount of approximately 35.77% to the average of the closing prices of HK$0.427 per Share as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day;

(iv) a discount of approximately 36.37% to the average of the closing prices 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;

(v) a discount of approximately 38.23% to the average of the closing prices 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;

(vi) a discount of approximately 66.14% to the closing price of HK$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(vii) 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);

(viii) 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 5 trading days immediately prior to and including the Last Trading Day);

(ix) 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 10 trading days immediately prior to and including the Last Trading Day);

(x) 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);

(xi) 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);

(xii) a discount of approximately 64.62% to the price of HK$0.7752 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$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date); and

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

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the six-month period immediately preceding the Last Trading Day and up to the Latest Practicable Date were HK$0.89 per Share on 29 July and 5 August 2014 and HK$0.38 per Share on 27 July and 23, 24, 25 April 2014, respectively.

Total consideration for the Offer

As the Offeror and parties acting in concert with it will own 1,185,210,894 Shares subject to and immediately after Share Purchase Completion, 638,190,482 Shares will be subject to the Offer and the total consideration of the Offer would be approximately HK$175,023,740 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 from the CCBIS Facility. CCBI, the financial adviser to the Offeror, taking into account the total consideration for the full acceptance of the Offer of HK$175,023,740 and the CCBIS Facility of up to HK$182 million, 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) of the date on which the relevant documents of title are received by the Offeror to render such acceptance complete and valid.

Effect of accepting the Offer

The Offer, subject to Share Purchase Completion taking place, will be unconditional. By accepting the Offer, Shareholders will sell their Shares free from encumbrances and together with all rights attaching to the Shares, and all dividends and distributions recommended, declared, made or paid on such Shares on or after the date on which the Offer is made (other than the Special Dividend). For the avoidance of doubt, acceptance of the Offer by the Shareholders will not prejudice their entitlement to receive the Special Dividend (if any).

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 declared, made or paid, if any, on or after the date on which the Offer is made (other than the Special Dividend). Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

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.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after Share Purchase Completion (assuming there are no other changes to the issued share capital of the Company since the Latest Practicable Date):

	As at the Latest Practicable Date		**Immediately after Share Purchase Completion**	
	Number of Shares held	*%*	*Number of Shares held*	*%*
The Offeror and parties acting in concert with it	–	–	1,185,210,894	65.00
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 parties acting in concert with him	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 were wholly owned by Mr. Ng; Bannock was a wholly-owned subsidiary of Earntrade which was 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 OF THE COMPANY

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

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. Its entire issued share capital is beneficially and directly held by Mr. Shi.

Mr. Shi, aged 45, is the founder and the sole director of the Offeror. Mr. Shi has years of experience in property development.

THE DISPOSAL

The Company also announced that on 30 April 2014, the Company and Tremendous Success entered into the Disposal Agreement, pursuant to which the Company agreed to sell and Tremendous Success agreed to purchase the Disposal Shares, being the entire issued share capital of South China (BVI), which will hold the Disposal Group (including, among other companies, 35% of the issued shares of Four Seas and 15% of the issued shares of King Link) after the Reorganisation. The Disposal (including the transactions contemplated under the Deed of Assignment) constitutes a special deal for the Company under note 4 to Rule 25 of the Takeovers Code and therefore requires the consent of the Executive. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the EGM. Completion of the Disposal Agreement and the Share Purchase Agreement are inter-conditional and shall take place simultaneously.

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. (i) Mr. Ng and his associates (including Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade, together being interested in 1,344,181,812 Shares, representing approximately 73.72% of the total issued share capital of the Company as at the Latest Practicable Date); (ii) any parties acting in concert with Mr. Ng; and (iii) parties involved or interested in the Disposal, will be required to abstain from voting on the resolution(s) approving the Disposal at the EGM in accordance with the Listing Rules and the Takeovers Code since they are interested in the transactions contemplated under the Disposal. Further, as Mr. Ng had a material interest in the transactions contemplated under the Disposal Agreement, Mr. Ng had abstained from voting on the board resolutions approving the Disposal Agreement.

As at the Latest Practicable Date, the entire share capital of Tremendous Success is wholly, beneficially and directly owned by Mr. Ng, an executive Director, the chairman of the Board and a substantial Shareholder. Accordingly, Tremendous Success is a connected person of the Company. As such, the Disposal also constitutes a connected transaction for the Company pursuant to Rule 14A.25 of the Listing Rules, and is therefore subject to the announcement and the Independent Shareholders' approval requirements under the Listing Rules.

The Company has made an application to the Executive for consent under note 4 to Rule 25 of the Takeovers Code in relation to the Disposal.

The principal terms of the Disposal Agreement are set out below.

Date	30 April 2014
Parties	
Vendor:	The Company
Purchaser:	Tremendous Success, an investment holding company incorporated in the BVI and which is wholly, beneficially and directly owned by Mr. Ng

Assets to be disposed of

Pursuant to the Disposal Agreement, the Company conditionally agreed to sell and Tremendous Success conditionally agreed to purchase the Disposal Shares, free from all claims, charges, liens, encumbrances, equities and third party rights and together with all rights attached thereto, at the Disposal Consideration. Tremendous Success shall not be obliged to complete the purchase of any of the Disposal Shares unless the sale of all the Disposal Shares are completed simultaneously.

Disposal Consideration

The Disposal Consideration of HK$95,466,000 was agreed between the Company and Tremendous Success after arm's length negotiations, taking into account, among others, (1) the audited net asset value of the Group attributable to owners of the Company as at 31 December 2013 of approximately HK$192,489,000; (2) the deduction of the aggregate audited net asset value of the Company (excluding the investment in subsidiaries included therein), Worldunity, King Link and its subsidiary (i.e. Nanjing Baoqing) and Four Seas attributable to owners of the Company as at 31 December 2013 of approximately HK$84,362,000, excluding the 15% interest in the audited net asset value of King Link and its subsidiary (i.e. Nanjing Baoqing) and 35% interest in the audited net asset value of Four Seas attributable to owners of the Company as at 31 December 2013 to be retained in the Disposal Group which in aggregate amounted to approximately HK$1,581,000; and (3) the waiver of amounts payable by the Remaining Group Companies to the Disposal Group of an aggregate amount of approximately HK$14,547,000 as at 31 December 2013 as extracted from the respective audited financial statements.

The Disposal Consideration shall be settled by Tremendous Success by cheque in favour of the Company or its nominee to be delivered to the Company on the Share Purchase Completion Date.

Part of the proceeds from the Disposal Consideration in the amount of approximately HK$63.466 million will be used for distribution of the Special Dividend. The remaining part of the Disposal Consideration in the amount of approximately HK$32 million shall be retained as general working capital by the Company.

Disposal Conditions

Disposal Completion is conditional upon the following Disposal Conditions:

(i) the Share Purchase Agreement having become unconditional (other than the fulfilment of any condition(s) in the Share Purchase Agreement requiring completion of the Disposal Agreement and other transactions contemplated therein) and not being terminated in accordance with its terms and conditions;

(ii) the passing by the Independent Shareholders of an ordinary resolution approving the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules and the Takeovers Code;

(iii) the consent of the Executive in relation to the Disposal Agreement and the transactions contemplated thereunder as a special deal under Rule 25 of the Takeovers Code having been obtained and not revoked prior to the Disposal Completion;

(iv) the passing by the Independent Shareholders of an ordinary resolution approving the declaration of the Special Dividend in accordance with the requirements of the Listing Rules and the Takeovers Code;

(v) the completion of the Reorganisation at the sole cost of the Vendors; and

(vi) the execution of the Deed of Assignment.

If any of the Disposal Conditions set out above have not been fulfilled on or before 31 August 2014 (or such other date as the Company and Tremendous Success may agree in writing), the rights and obligations of the Company and Tremendous Success under the Disposal Agreement shall lapse and the Disposal Agreement shall be of no further effect and the Company and Tremendous Success shall be released from such obligations without any liability save in respect of any antecedent breach or any accrued right or remedies, which shall not be prejudiced or affected.

Disposal Completion

Subject to the Disposal Conditions having been satisfied, Disposal Completion shall take place on the Share Purchase Completion Date simultaneously with or immediately before Share Purchase Completion. The Disposal Group will cease to be subsidiaries of the Company after Disposal Completion.

The Deed of Assignment

As at the Latest Practicable Date, the Company and its wholly-owned subsidiary, Janful (which would become part of the Disposal Group), were the plaintiffs to certain litigation cases ("Cases") and therefore would be entitled to the benefit, interest, liability, cost, damage and/or expenses in connection with or arising from the Cases. As stipulated in the Disposal Agreement, the Company, as assignor (the "Assignor"), shall enter into the Deed of Assignment with a company or companies in which Mr. Ng (an executive Director) has an interest, as assignee (the "Assignee"). Pursuant to the Deed of Assignment, the Assignor shall assign to the Assignee absolutely, among others, any and all of its rights, title, benefit, interest, liability, cost, damage and/or expenses as the plaintiff in the Cases. Upon completion of the Assignment, the Company shall be discharged as the plaintiff of the Cases.

Further, as Mr. Ng had a material interest under the Deed of Assignment he had abstained from voting on the board resolutions approving the Deed of Assignment.

The genesis of the dispute in the Cases stems from an agreement entered into by Janful in China. The Cases involve certain joint venture disputes in China which started in 2004. Janful and/or the joint venture company in China first commenced arbitration proceedings in China in January 2005 and there had been numerous arbitrations, legal proceedings, applications for judicial review and appeals in China since January 2005. The Company recently commenced legal proceedings in Hong Kong to sue, among others, the joint venture partner and/or other related parties. The details of these two cases are set out below:

Case 1

The plaintiffs to this case (which was commenced in December 2013) are the Company and Janful and the defendants are the joint venture partner of the joint venture company in China and other parties related to the joint venture partner. The claimed remedies include an account of benefits and profits which the defendants have misappropriated for their own benefit and equitable compensation for breaches of fiduciary duties. The legal expenses incurred up to the end of May 2014 were approximately HK$5 million. This case is only at the initial stage of the legal proceedings and pleadings are not closed yet.

Case 2

The plaintiffs to this case (which was commenced in August 2013) are the Company and Janful and the defendants are the beneficial owner of the joint venture partner of the joint venture company in China and her related company. The claimed remedies include injunctions to restrain the defendants from defaming the plaintiffs and damages for libel. The legal expenses incurred up to the end of May 2014 were approximately HK$1 million. This case is only at the initial stage of the legal proceedings and pleadings are not closed yet.

Before the commencement of the Cases in Hong Kong and since January 2005, there had been about 23 arbitrations or civil proceedings in China. However, Janful has very little success in such proceedings. As at the Latest Practicable Date, Janful was only able to recover RMB1.7 million of its legal costs and expenses in China. Given the complexity of the Cases, it is difficult to predict the outcome of the Cases in Hong Kong.

As such, the Company would not want to proceed with the Cases because (i) the documents and the related evidence in support of the Cases belong to Janful and the key witnesses who have direct knowledge of the Cases are employees or officers of the Disposal Group and/or companies connected with the Assignee(s); (ii) Mr. Ng, being the beneficial owner of Tremendous Success which is the purchaser in the Disposal, has genuine commercial interest in continuing as plaintiffs in the Cases and he has direct knowledge of the background in relation to the entering of the joint venture agreement; and (iii) the Cases involved substantial manpower and resources of the Company and they may last for a long period of time. With the above reasons, the Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the Deed of Assignment is in the interest of the Company and its Shareholders so that the Company can focus its manpower and resources on the operation and development of the Remaining Group after it is discharged as the plaintiff of the Cases. Therefore, the Board is of the view that the Assignment should have little or no impact on the Company, taking into account the uncertainties in the outcomes of the proceedings.

Further details of the Cases are set out in the announcements of the Company dated 20 June 2013, 26 June 2013, 24 July 2013, 30 July 2013, 20 August 2013, 2 September 2013, 3 December 2013 and 12 May 2014, respectively.

The Deed of Assignment constitutes a special deal for the Company under Rule 25 of the Takeovers Code by virtue of the fact that the Deed of Assignment will be entered into by the Company (as the assignor) and company or companies in which Mr. Ng (an executive Director) has an interest (as the assignee) after Disposal Completion and Share Purchase Completion, which are not extended to all Shareholders. The Deed of Assignment, which constitutes a special deal for the Company under Rule 25 of the Takeovers Code, requires consent from the Executive, and the Assignment will also constitute a connected transaction of the Company under the Listing Rules.

Each of the Vendors and Guarantor has also given a post-completion undertaking to the Offeror under the Share Purchase Agreement that the Company shall have been withdrawn from the Cases within 2 months after Share Purchase Completion at the sole cost of the Vendors, otherwise the Offeror shall have the right to procure the withdrawal of the Company from the Cases.

Reasons for the Disposal

The Company proposes to dispose of its interests in the Disposal Group which is principally engaged in the Travelling Services Business, the Group's intragroup administrative services and other investment holding including certain deposits of property development projects in the PRC and investment properties held for investment purpose.

The Company considers that the potential growth in the businesses of the Disposal Group (other than the Travel Agent Business (Corporate) and the Jewellery Business) is limited. Certain businesses of the Disposal Group generate low profit margins but require a substantial amount of working capital for their operations. Certain entities in the Disposal Group are loss making in general. On the other hand, the Company is optimistic about the development of the Remaining Business, including the Travel Agent Business (Corporate) and the Jewellery Business. Therefore, the Company considers that the Disposal provides a good opportunity for the Group to realise its investment in the Disposal Group and generate cash proceeds for payment of the Special Dividend to the Qualifying Shareholders and other potential investments. The Group may also be able to reallocate its resources from the Disposal Group business to other business with higher growth potential.

Although the Travelling Services Business and the Travel Agent Business (Corporate) have been part of the Group during the Track Record Period, the Board is of the view that there is clear delineation of the operating models between the two businesses which will be continually conducted by HK Four Seas and Four Seas respectively, based on the following:

(a) the business models adopted by HK Four Seas and Four Seas since the internal reorganisation in 15 October 2013 are substantially different. HK Four Seas is a wholesaler of airline tickets to travel agents including Four Seas, while Four Seas is a travel agent selling airline tickets mainly to corporate clients; and

(b) the target customers of HK Four Seas are travel agents such as Four Seas, while the target customers of Four Seas are corporate clients. Their customer bases are not the same.

The Directors consider that the business environment of the Travelling Services Business has become more competitive as more airlines are developing or have developed their own trading platforms for online sales of air-tickets. It is expected that the Disposal Group's air-ticket wholesale business conducted through HK Four Seas will be adversely affected if online sales becomes the major distribution channel of the major airlines. Furthermore, in view of the thin profit margin but high working capital requirement of the Travelling Services Business, the Directors consider that the growth potential of the Travelling Services Business is limited and it will be difficult, though not impossible, to achieve promising results for the Travelling Services Business in the foreseeable future. As there is clear delineation of the Travelling Services Business and the Travel Agent Business (Corporate), the Directors consider that the disposal of the Travelling Services Business is plausible and is in the interest of the Company and Shareholders as a whole.

Furthermore, the Directors are of the view that the Remaining Group has the competence and sufficient resources to run the Remaining Business on its own; and the use of services to be provided by HK Four Seas pursuant to the Service Agreement will not amount to reliance on HK Four Seas.

The Directors consider that the market outlook of the Remaining Business remains positive in the foreseeable future despite that the financial performance of the Remaining Business has not been satisfactory for the four months ended 30 April 2014. In particular, according to the statistics released by International Air Transport Association ("IATA"), transaction volume of travel industry has recorded positive growth starting from April 2014, and it is expected that the Remaining Group would be able to increase its customer base and further develop the Travel Agent Business (Corporate) by capturing the customers from small travel agents because of shortened credit term for travel agents owing to the industrial trend. Meanwhile, 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.

The Directors consider that prior to Disposal Completion and Share Purchase Completion, the Remaining Group and the Disposal Group (including HK Four Seas) belong to the same group of companies; hence, other than the different business segment (e.g., jewellery, Travel Agent Business (Corporate), Travelling Services Business) which operates on its own with its own staff team, certain back-office support, such as computer systems, telecommunication systems and other office facilities, is shared by the entire group of companies for convenience and economic reasons. Hence, the principal reason for the Remaining Group to require HK Four Seas to continue to provide such services to Four Seas pursuant to the Service Agreement is to simplify and take advantage of services readily available to be provided by HK Four Seas at a reasonable cost, and it is also in the interest of the Company and the Remaining Group as a whole to ensure a smooth transition of the business after Share Purchase Completion.

The hardware and software system provided by HK Four Seas to Four Seas are common computer software and hardware, and they are readily available at similar costs which Four Seas is able to purchase on the market.

Regarding the trademarks held by HK Four Seas, in the event that they cannot be used by Four Seas anymore, it would not materially affect the business operations of Four Seas as the trademarks are not internationally well-known or major trademarks. As long as Four Seas is able to provide quality services to its customers at a competitive price, it could develop its own trademark and brand and would not heavily depend on the trademark and brand of HK Four Seas after the transitional period following Share Purchase Completion.

Furthermore, regarding the knowhow, the relevant staff of the Remaining Group has the experience to carry out the services provided in the Travel Agent Business (Corporate) and the Jewellery Business, and it would not depend on HK Four Seas to run the day to day operations of the Remaining Business. Finally, regarding other administrative services to be provided by HK Four Seas to Four Seas, it would also be readily available if Four Seas would choose to engage separate administrative staff at standard costs.

The Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the consideration for the Disposal and the basis of consideration using the net asset value approach is fair and reasonable, as net asset approach is one of the commonly adopted comparable approaches in evaluation of a company. Given that no dividends were declared by South China (BVI) for the past two years, the Directors consider that the dividends approach is not applicable for assessing the value of the Disposal Group.

If the Company were to retain the entire interest in Four Seas and King Link, the current directors of Four Seas and King Link respectively may resign upon Share Purchase Completion and be replaced by directors nominated by the Offeror. In order to ensure the continuous and smooth operation of the Travel Agent Business (Corporate) and the Jewellery Business on an on-going basis after Share Purchase Completion, a commercial decision has been reached amongst the Vendors, the Offeror and the Company after arm's length negotiations such that the Disposal Group shall have a minority interest in the Travel Agent Business (Corporate) (through its 35% interest in Four Seas) and the Jewellery Business (through its 15% interest in King Link) upon completion of the Reorganisation and the Disposal Agreement and the Share Purchase Agreement. Under this arrangement and in accordance with the Four Seas Shareholders' Agreement, two of the current directors of Four Seas, namely Ms. Cheung and Mr. Ng Yuk Yeung Paul, both of whom have accumulated considerable experience in the operation and management of the Travel Agent Business (Corporate) for more than 11 years, will continue to act as directors of Four Seas and participate in its management. Similarly, in accordance with the King Link Shareholders' Agreement, one of the current directors of King Link, namely Ms. Cheung, who has accumulated considerable experience in the operation and management of the Jewellery Business for more than 20 years, will continue to act as director of King Link and participate in its management as well as to help maintain the cooperation between King Link and the other shareholder of Nanjing Baoqing. The 15% interest in King Link was determined in order to ensure that Ms. Cheung, one of the existing directors of King Link, could continue to act as one of the five directors of King Link after Share Purchase Completion based on the approximate shareholding percentage of the shareholders pursuant to the King Link Shareholders' Agreement, in order to ensure smooth management of the Jewellery Business as agreed by the parties. For Four Seas, 35% minority interest was determined in order to ensure that both the existing directors of Four Seas, namely Ms. Cheung and Mr. Ng Yuk Yeung Paul, would continue to be two of the five directors of Four Seas after Share Purchase Completion based on the approximate shareholding percentage of the shareholders pursuant to the Four Seas Shareholders' Agreement, in order to ensure smooth management of the Travel Agent Business (Corporate) as agreed by the parties. As such, the Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the above arrangements could ensure the continuous and smooth operation of the Travel Agent Business (Corporate) and the Jewellery Business on an on-going basis after Share Purchase Completion and are therefore in the best interest of the Company and the Shareholders as a whole.

The Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the terms of the Disposal Agreement are on normal commercial terms and are fair and reasonable and the Disposal Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

REORGANISATION

Pursuant to the Reorganisation, among other things:

(i) New Holdco 1, a Remaining Group Company, which acts as the intermediate holding company holding 100% of Worldunity after the Disposal, will be established in the BVI. New Holdco 1 will issue and allot one share at par to the Company.;

(ii) New Holdco 2, a Remaining Group Company, which acts as the intermediate holding company holding 65% of Four Seas and 85% of King Link after the Disposal, will be established in the BVI. New Holdco 2 will issue and allot one share at par to the Company;

(iii) Tek Lee will transfer the entire issued share capital of Worldunity to New Holdco 1, in consideration and in exchange of the issue of share(s) by New Holdco 1 to the Company (at the direction of Tek Lee);

(iv) Four Seas (BVI) will transfer 65% of the issued shares of Four Seas to New Holdco 2, in consideration and in exchange of the issue of share(s) by New Holdco 2 to the Company (at the direction of Four Seas (BVI));

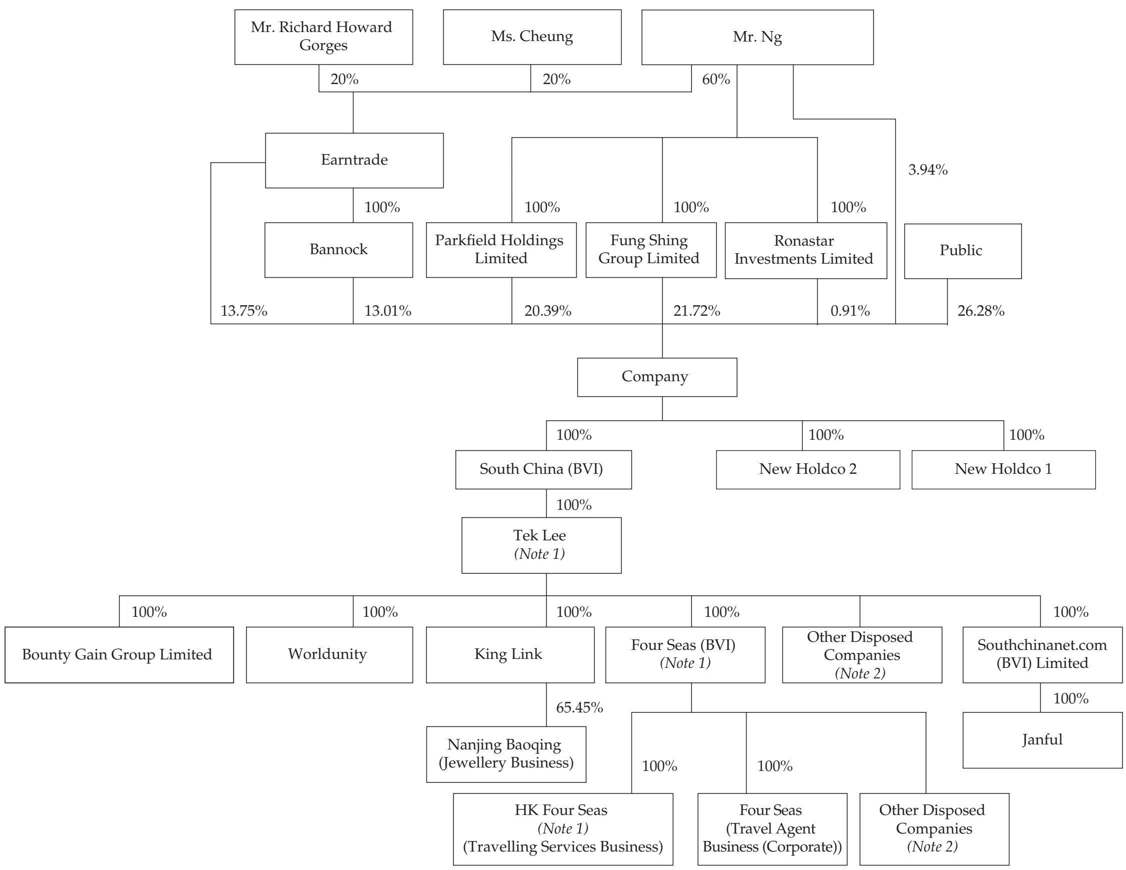
(v) Tek Lee will transfer 85% of the issued shares of King Link to New Holdco 2, in consideration and in exchange of the issue of share(s) by New Holdco 2 to the Company (at the direction of Tek Lee); and

(vi) the Company will transfer the issued share capital of Bounty Gain Group Limited to Tek Lee at par.

As set out in the section headed "THE DISPOSAL – Disposal Conditions", the Reorganisation will be completed before Disposal Completion. As at the Latest Practicable Date, Reorganisation steps set out in paragraphs (i) and (ii) above had been partly completed as New Holdco l and New Holdco 2 had issued and allotted one share to the Company respectively, and Reorganisation step set out in paragraph (vi) above had been completed. Upon completion of the Reorganisation, the Remaining Group will be principally engaged in the Remaining Business.

Group structure as at the Latest Practicable Date immediately before completion of the Reorganisation, the Disposal Agreement and the Share Purchase Agreement

The chart below shows the simplified group structure of the Group as at the Latest Practicable Date and immediately before completion of the Reorganisation, Disposal Completion and Share Purchase Completion (assuming that there are no other changes in the shareholding structure of the Group since the Latest Practicable Date):

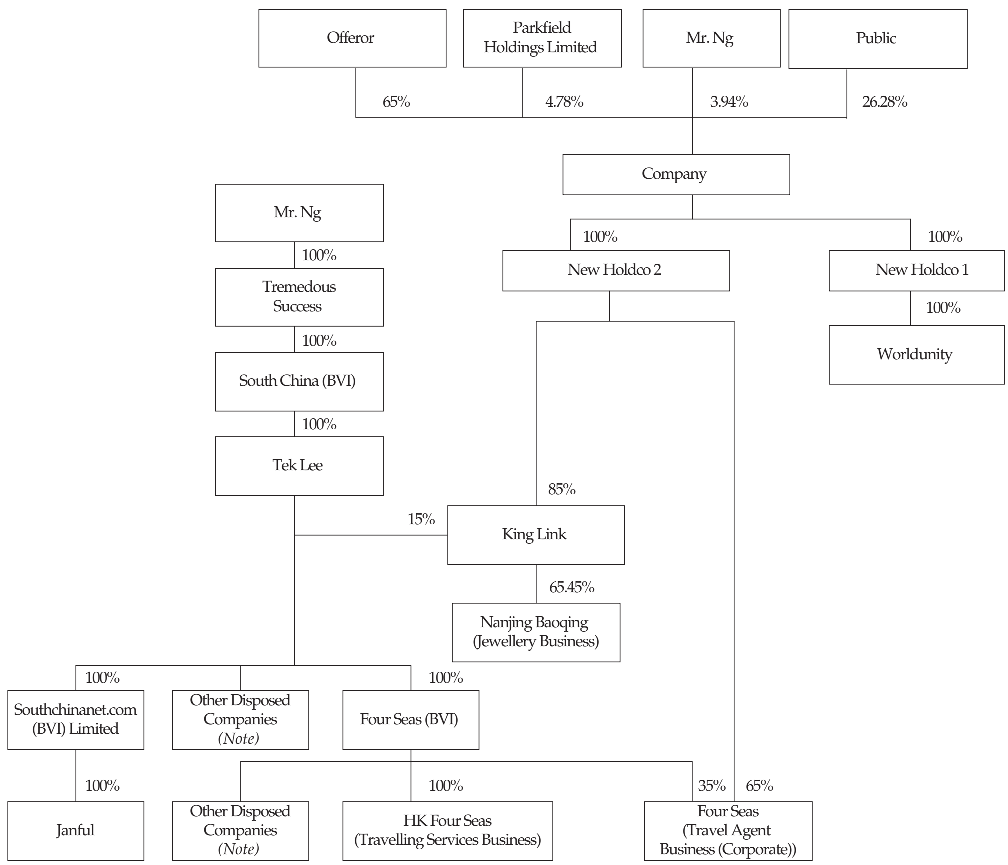


Note 1: Each of Four Seas (BVI), Tek Lee and HK Four Seas will become a member of the Disposal Group after the Disposal.

Note 2: Other Disposed Companies include companies which are both indirectly wholly-owned or non-wholly owned by the Company.

Group structure after completion of the Reorganisation, the Disposal Agreement and the Share Purchase Agreement

The chart below shows the respective simplified group structure of the Remaining Group and the Disposal Group immediately after completion of the Reorganisation, Disposal Completion and Share Purchase Completion, but before the commencement of the Offer (assuming that there are no other changes in the shareholding structure of the Company during this period):



Note: Other Disposed Companies include companies which are both indirectly wholly-owned or non-wholly owned by the Company.

Information of Worldunity

Worldunity is engaged in investment holding. Its investments include shares in South China Land Limited (Stock code: 8155) and South China (China) Limited (Stock code: 413).

Information of the Travel Agent Business (Corporate)

The principal business activities of Four Seas are the provision of travel agency and travel-related services to corporate customers, services provided include, among others, the planning and provision of routing services (scheduling of itinerary), arrangement of air-tickets, land transportation, hotel accommodation, travel insurance, travel visa, etc., for staff of corporate customers to suit their business travel needs. Customers of Four Seas are mainly corporate clients including corporations carrying on different kinds of business such as banks, university departments and hotels. Occasionally, Four Seas may also provide services to individual customers, but such customers are normally staff members of its corporate customers who may request travel agency or related services from Four Seas for their leisure/family travels.

As the customers and potential customers of Four Seas are mainly corporations, these corporations would, to the Directors' understanding, usually use more than one supplier to provide travel agency and related services to their staff. It is also to the Directors' understanding that these corporations would usually source their travel agency and related services suppliers through invitation of tender or private negotiation of commercial terms with potential suppliers (which may be known to these corporations by way of referrals or "cold-calls" received by such corporations).

Four Seas generally sources and obtains new customers through bidding (i.e. submission of tender) and referrals. The sales staff of Four Seas would conduct research from time to time on the internet and other channels (including market information obtained from existing customers or suppliers) to understand if there are any potential corporate customers inviting tenders to source new travel agency and related services suppliers. For sourcing potential corporate customers through bidding (i.e. submission of tender), the sales staff of Four Seas would prepare the relevant information and submit the proposals in response to the tender invitation documents of such potential corporate customers.

Also, as Four Seas currently has more than 700 active corporate customers and more than 300 suppliers, it may also obtain referrals from its existing corporate customers or suppliers. When the sales staff of Four Seas obtains referrals from any of its existing customers or suppliers or their respective staff members, they would contact such potential customer(s).

In addition, as part of Four Seas' marketing efforts, the sales staff of Four Seas will also conduct "cold-calls" to source potential customers when they obtain information of such potential customers from other sources.

Four Seas has a diversified corporate customer base, including banks, university departments and hotels.

Four Seas generally maintains long-term relationship and regularly reviews the terms and conditions including discounts and credit period with the corporate customers. The Remaining Group does not have any long-term contract with its customers in respect of the Travel Agent Business (Corporate).

Prior to the internal reorganisation which took place on 15 October 2013, the above-mentioned business operations were mainly conducted by HK Four Seas, Four Seas mainly served as the in-house travel agent for various fellow companies in which certain Directors have beneficial interests and provided travel agency and travel related services to staff of these companies.

Licensing

Four Seas obtained and registered in its own name, the (i) Travel Agents Licence under the Travel Agents Ordinance (Cap. 218 of the Laws of Hong Kong) and its period of validity is from 1 August 2013 to 1 August 2015; and (ii) Certificate of Accreditation (2014) issued by International Air Transport Association ("IATA"). Besides, it is also an ordinary member of Travel Industry Council of Hong Kong.

Under the Travel Agents Licence, Four Seas is permitted to provide both inbound (travelling into Hong Kong) and outbound (travelling from Hong Kong) travel services to customers, including tour operator, hotel bookings, and selling of air tickets.

Under the Certificate of Accreditation issued by IATA, Four Seas is permitted to issue air tickets directly and settle the relevant payment in accordance with IATA's billing and settlement system. Travel companies which do not possess the Certificate of Accreditation from IATA cannot obtain air tickets with agency discount directly from airlines companies; they could only obtain discounted air tickets through other companies which possess such certificate.

Four Seas possesses the Certificate of Accreditation issued by IATA and it is therefore able to purchase air tickets directly from airlines companies for sale to its customers. However, historically and as of the Latest Practicable Date, HK Four Seas (which also possesses such certificate from IATA) would buy air tickets from airline companies at bulk to satisfy both its own needs and also the needs of Four Seas (in turn to satisfy its customers' demand) and other travel agents and it will settle the purchase with airline companies. HK Four Seas will then sell to Four Seas the air tickets required by it on normal commercial terms, and Four Seas will in turn pay HK Four Seas. This mode of operation (instead of Four Seas to buy from the airline companies directly) is adopted because in this way HK Four Seas can enjoy the benefit of bulk purchases from the airline companies, which in turn lowers the price of the air tickets to be sold to Four Seas. Hence, such mode of operation is in the interest of Four Seas and it is also intended that such mode of operation would continue after the Share Purchase Completion. Under such mode of operation, HK Four Seas, subject to the needs of Four Seas and other travel agents, would first buy the air tickets from airlines companies and then sell to Four Seas/ other travel agents the tickets required by them. The sales of air-tickets from HK Four Seas to Four Seas are treated as cash collected on behalf of the principal as an agent, and thus the revenue of HK Four Seas is recorded on net basis.

Information of the Travelling Services Business, HK Four Seas and the Disposal Group

The principal business activities of the Disposal Group include the Travelling Services Business conducted by HK Four Seas and other entities in the PRC, and certain inactive property development business in Tianjin and Zhuhai, the PRC.

The major assets of the Disposal Group include certain deposits of property development projects in the PRC, investment properties held for investment purpose and trade receivables. Valuation report of the investment properties are set out in Appendix V to this circular.

HK Four Seas mainly provides wholesale of air ticketing services to travel agents in Hong Kong, which contributes to approximately 90% of its revenue generated from the Travelling Services Business for the year ended 31 December 2013. HK Four Seas also provides other travel-related services such as air-ticketing and hotel bookings for certain customers on a retail basis through its three retail branch offices (but such business was not and will not be the core business of HK Four Seas and that such services were only provided to customers upon their specific requests), and such services accounted for only about 10% of its revenue generated from the Travelling Services Business for the year ended 31 December 2013.

The major suppliers of HK Four Seas are airline companies. When HK Four Seas obtains requests from travel agents (its customers) for air-tickets of reserved bookings, HK Four Seas would, in turn, source such air-tickets directly from the relevant airline(s) according to its customers' requests.

Information of the Jewellery Business

Regarding the Jewellery Business, Nanjing Baoqing carries out its operations in its main shop located in Nanjing through two self-operated counters and it also has seven consignment counters (which are located in other shopping malls in Nanjing). For the self-operated counters, the products are mainly sourced by Nanjing Baoqing in Shenzhen. For consignment counters, the products are mainly supplied and inspected by the consignors; Nanjing Baoqing will charge a certain percentage of the revenue as operating fee. Nanjing Baoqing also operates several other self-operated jewellery counters in shopping malls located in Nanjing. The shopping mall operators would be responsible for the management of the shopping mall itself. The shopping mall would charge a certain percentage of the revenue from the sales made by Nanjing Baoqing in respect of the relevant counter as operating fee.

The Jewellery Business does not involve any manufacturing of jewellery products other than minor processing of jewellery products such as amending the style of jewellery products and repairing of jewellery products. Purchasers in respect of the Jewellery Business are all retail customers. Nanjing Baoqing has no long term contract with its customers in respect of the Jewellery Business. Nanjing Baoqing sources the supply of quality jewellery and gold from a number of suppliers. Nanjing Baoqing does not have long term contracts with its suppliers.

King Link is an investment holding company which currently holds 65.45% equity interests in Nanjing Baoqing. To the best of the Directors' knowledge, the remaining 34.55% interests in Nanjing Baoqing is beneficially owned by 南京寶慶首飾總公司 (Nanjing Baoqing Jewellery Corporation*) ("Nanjing Jewellery"), a PRC state-owned enterprise.

Employees of the Remaining Group

There will be a total of 127 employees in the Remaining Group after Share Purchase Completion, among which 59 employees will focus on the Travel Agent Business (Corporate) and 68 employees will focus on the Jewellery Business.

Relationship between the Disposal Group and the Remaining Group

The Directors consider that there will not be conflict of interest between HK Four Seas and Four Seas based on the following reasons:

(i) HK Four Seas (as a wholesaler) is principally engaged in the sale of air tickets and other travel-related services provided principally to travel agents (i.e. Travelling Services Business) whereas Four Seas is principally engaged in, among others, the sale of air tickets and other travel-related services provided to corporate clients (i.e. Travel Agent Business (Corporate));

(ii) Each of HK Four Seas and Four Seas has different target customers. The major target customers of HK Four Seas are travel agents (including Four Seas); while the major target customers of Four Seas are corporate customers (including enterprises and banks); and

(iii) the Travelling Services Business and the Travel Agent Business (Corporate) have been operated by separate teams and staff with different skill and knowledge to provide services.

* *For identification purposes only*

The following is a comparison of the business model of HK Four Seas and Four Seas:

	HK Four Seas	**Four Seas**
Revenue Model	HK Four Seas mainly provides wholesale of air tickets to travel agents in Hong Kong. HK Four Seas also provides other travel-related services such as air-ticketing and hotel bookings for certain individual customers through its three branch offices (but such business was not and will not be the core business of HK Four Seas and that such services were only provided to customers upon their specific requests). The major suppliers of HK Four Seas are airline companies. When HK Four Seas obtains requests from travel agents (its customers) for air-tickets of reserved bookings, HK Four Seas would, in turn, source such air-tickets directly from the relevant airline(s) according to its customers' requests. Under such mode of operation, HK Four Seas, subject to the needs of Four Seas and other travel agents, would first buy the air tickets from airlines companies and then sell to Four Seas/other travel agents the tickets required by them. The sales of air-tickets from HK Four Seas to Four Seas are treated as cash collected on behalf of the principal as an agent, and thus the revenue of HK Four Seas is recorded on net basis.	The principal business activities of Four Seas are the provision of travel agency and travel-related services to corporate customers. Services provided include, among others, the planning and provision of routing services (scheduling of itinerary), arrangement of air-tickets, land transportation, hotel accommodation, travel insurance, travel visa, etc., for staff of corporate customers to suit their business travel needs. As the customers and potential customers of Four Seas are mainly corporations, these corporations would, to the Directors' understanding, usually use more than one supplier to provide travel agency and related services to their staff. It is also to the Directors' understanding that these corporations would usually source their travel agency and related services suppliers through invitation of tender or private negotiation of commercial terms with potential suppliers (which may be known to these corporations by way of referrals or "cold-calls" received by such corporations). The historical revenue of Four Seas represents commission or agency fee derived from the Travel Agent Business (Corporate).

	HK Four Seas	Four Seas
Target Customers	The main target customers of HK Four Seas are travel agents in Hong Kong.	Customers of Four Seas are mainly corporate clients including corporations carrying on different kinds of business such as banks, university departments and hotels. Occasionally, Four Seas may also provide services to individual customers, but such customers are normally staff members of its corporate customers who may request travel agency or related services from Four Seas for their leisure/family travels.
Pricing Strategy	HK Four Seas will in general set a lower price (which yields a lower profit margin) in order to attract travel agents to source more purchases of airline tickets from them, as HK Four Seas (as a wholesaler) is able to purchase from airlines companies air tickets at a lower price and higher sales of air tickets will in turn earn more backend commission from airlines. As such, HK Four Seas mainly targets providing wholesale of airline tickets to travel agents at a lower price with higher turnover.	Four Seas in general would set a higher price (which yields a higher profit margin as compared to HK Four Seas), as Four Seas is a travel agent and it mainly targets corporate clients who would in general purchase airline tickets from travel agents such as Four Seas.

	HK Four Seas	Four Seas
Sales and Marketing	As HK Four Seas is a wholesaler of air tickets, it does not have any marketing strategies including advertisements/promotions regarding its services provided. HK Four Seas would have a list of travel agents and may perform cold calls to these travel agents to see whether they would require the services of HK Four Seas.	Four Seas generally sources and obtains new customers through bidding (i.e. submission of tender) and referrals. The sales staff of Four Seas would conduct research from time to time on the internet and other channels (including market information obtained from existing customers or suppliers) to understand if there are any potential corporate customers inviting tenders to source new travel agency and related services suppliers. For sourcing potential corporate customers through bidding (i.e. submission of tender), the sales staff of Four Seas would prepare the relevant information and submit the proposals in response to the tender invitation documents of such potential corporate customers. Also, as Four Seas currently has more than 700 active corporate customers and more than 300 suppliers, it may also obtain referrals from its existing corporate customers or suppliers. When the sales staff of Four Seas obtains referrals from any of its existing customers or suppliers or their respective staff members, they would contact such potential customer(s). In addition, as part of Four Seas' marketing efforts, the sales staff of Four Seas will also conduct "cold-calls" to source potential customers when they obtain information of such potential customers from other sources.

	HK Four Seas	**Four Seas**
Branding	Branding is not considered as an important aspect for HK Four Seas as there are only a few wholesalers of air tickets in Hong Kong including HK Four Seas. As such, to the best of the Directors' knowledge, the potential customers of HK Four Seas would have a limited number of choices in terms of wholesalers of air tickets to choose from. Thus, it is not considered essential for branding of HK Four Seas as the competition in such field is limited.	Regarding the trademarks held by HK Four Seas, in the event that they cannot be used by Four Seas anymore, it would not materially affect the business operations of Four Seas as the trademarks are not internationally well-known or major trademarks. The Directors consider that as long as Four Seas is able to provide quality services to its customers at a competitive price, it could develop its own reputation and would not heavily depend on the trademarks and brand of HK Four Seas.
Geographical coverage	The main target customers of HK Four Seas are located in Hong Kong.	The main target customers of Four Seas are located in Hong Kong.

The Directors consider that as HK Four Seas and Four Seas operate on different business/revenue models, targets different customers, have different pricing strategies and sales and marketing strategies, there is a clear delineation of business between HK Four Seas and Four Seas. Furthermore, Four Seas would not heavily depend on the "brand" of HK Four Seas but rather on its own service performance to sustain its business. Further, although the geographical coverage may be the same between HK Four Seas and Four Seas, the other factors are substantially different, hence, this similarity would not materially affect the delineation of HK Four Seas and Four Seas.

As the business model of HK Four Seas and Four Seas are substantially different, the Directors consider that there should not be any competition between the business carried on by HK Four Seas and Four Seas. There is also no intention for the Disposal Group or the Remaining Group to enter into the Travel Agent Business (Corporate) or the Travelling Services Business (as the case may be) in Hong Kong in the future, thus, the Directors consider that it is not necessary for the Remaining Group and the Disposal Group to enter into a non-competition undertaking. Furthermore, the relevant common director (namely, Ms. Cheung) of the Disposal Group and the Remaining Group is aware of the fiduciary duties of being a director and would disclose her interests and abstain from voting when there is any potential conflict of interests, if necessary.

The Directors consider that the expected amount of air-tickets purchased from the Disposal Group out of the expected total amount of air-tickets purchased from all suppliers for each of the respective period ending 31 August 2017 under the Service Agreement may be up to approximately 90% respectively, but the actual percentage will be subject to, among other factors, the pricing and credit terms to be provided by HK Four Seas in the future.

Pricing Mechanism of HK Four Seas and Four Seas

Before the Disposal, HK Four Seas in general sets a lower price in order to attract travel agents to source more air tickets from them, as HK Four Seas is able to purchase from airline companies air tickets at a lower price and higher sales of air tickets will in turn earn more backend commission from airlines. As such, HK Four Seas mainly targets at providing wholesale of airline tickets to travel agents at a lower price with higher turnover. Regarding the pricing mechanism for sale of air-tickets between HK Four Seas and Four Seas before the Disposal, there was no mark up in the price of the air tickets when HK Four Seas sold the air tickets to Four Seas, which also applied occasionally when HK Four Seas sold air tickets to other independent third parties, as HK Four Seas aimed to achieve a higher sales of air tickets to earn a higher backend commission from the airlines, even if there was no mark up in the price of air tickets. As such, the historical financial information of the Travel Agent Business (Corporate) had reflected sale and purchase of air tickets from HK Four Seas within the range of normal commercial terms.

Pricing mechanism of HK Four Seas before and after the Disposal

In general, the pricing mechanism before and after the Disposal would be with reference to the market price and credit terms. The detailed procedures are as follows:

1. The market price is determined by HK Four Seas mainly through its communications with its customers. For example, travel agents such as Four Seas would be able to obtain a fare sheet from HK Four Seas and other wholesalers. The respective fare sheet of each wholesaler (including HK Four Seas) would list out the price and the discount Four Seas/other travel agents could obtain from purchasing the air tickets from each airline company through HK Four Seas/other wholesalers respectively. As such, through its communications with potential customers (including Four Seas), HK Four Seas would be able to know the price its competitors are offering and to adjust their air ticket price accordingly in order to compete in the market.

2. HK Four Seas would provide a credit term to travel agents. For example, it may generally provide around 30 days credit period for repeat customers. For repeat customers with large amount of purchases and longer term customers, HK Four Seas may provide a longer credit period.

3. HK Four Seas will consider to set the price (whether to provide a discount, no mark-up, or up to approximately 2% mark-up) based on the incentive provided by the airline companies regarding backend commission. For example, airline companies would set a minimum amount of air tickets to be sold by the wholesaler, and if the wholesaler exceeds the minimum target, the airline companies would provide a backend commission to the wholesaler for all the air tickets sold by the wholesaler. As such, wholesalers (including HK Four Seas) would have the incentive to sometimes provide no mark-up (or even discount) to the travel agents (such as Four Seas) in order to exceed that minimum target set by the airline companies, in order for the wholesaler to enjoy the backend commission.

4. Finally, HK Four Seas might also add a mark up to the air ticket price after it has exceeded the minimum target set by the airline companies, in order to prevent the minimum target being exceeded substantially, as the airline companies would set a higher minimum target for the backend commission for the next year if the airline companies noticed that the wholesaler is able to reach a very high amount of sales for the year.

In general, the pricing mechanism before and after the Disposal would be with reference to the market price and credit terms.

As such, balancing the above factors, HK Four Seas (and other wholesalers) would set their price based on the above mechanism, which is within the range of normal commercial terms. As Four Seas possesses a substantial amount of its own customers (and therefore has substantial demand for air tickets), HK Four Seas has provided no mark up to Four Seas in order to ensure that it would meet the minimum target set by the airline companies in order for HK Four Seas to enjoy the backend commission. The Directors consider that this is within normal commercial terms and is a commercial decision made by HK Four Seas to provide no mark-up to Four Seas during the three years ended 31 December 2013 in order to secure the backend commission by exceeding the minimum target set by airline companies.

After the Disposal, it is still possible that HK Four Seas would provide no mark-up to Four Seas in order to continue to secure the backend commission by exceeding the minimum target set by airline companies, as this is within the range of normal commercial terms. However, it is also possible for HK Four Seas to set prices at a mark-up in case any of the above factors change. In case HK Four Seas is unable to provide no mark-up to Four Seas, and Four Seas is of the view that it is not favourable commercially, Four Seas might be able to source air tickets at possible no mark-up price (subject to the above factors) from other wholesalers, as Four Seas possesses a substantial number of its own customers and has substantial demand for air tickets, which other wholesalers might be interested in providing no mark-up for selling its air tickets to Four Seas in order to meet their respective minimum target set by airline companies to enjoy the backend commission.

Selection mechanism by Four Seas

The Directors consider that in the event that HK Four Seas cannot provide air tickets on normal commercial terms to Four Seas, Four Seas could choose to source from other suppliers.

Four Seas would select whether to purchase air tickets from HK Four Seas or other wholesalers based on the following:

1. The sales team of Four Seas shall obtain a fare sheet from HK Four Seas and other wholesalers. The respective fare sheet of each wholesaler (including HK Four Seas) would list out the price and the discount Four Seas/other travel agents could obtain from purchasing the air tickets from each airline company through HK Four Seas/other wholesalers respectively.

2. For repeat customers, HK Four Seas (and similarly in the case of other wholesalers) would also provide a list of the price and the discount displayed on their own website, which could only be accessed by their respective repeat customers. Therefore, Four Seas would also be able to obtain the list of prices/discounts of air tickets on the website of HK Four Seas and other wholesalers.

3. Four Seas would then, based on the fare sheet or information obtained from the wholesalers' website, determine which wholesaler would offer the lowest price, and negotiate with the wholesaler.

4. In addition, Four Seas will also consider the credit terms as another factor to choose the wholesalers (including HK Four Seas) for purchasing of air tickets.

As such, the historical financial information of the Travel Agent Business (Corporate) had reflected sale and purchase of air tickets from HK Four Seas within the range of normal commercial terms, as it was a commercial decision by HK Four Seas to provide no mark-up to Four Seas for sales of its air tickets in order to exceed the minimum target for enjoying the backend commission provided by the airline companies. Furthermore, even after the Disposal, it is possible (subject to the above factors) that HK Four Seas would continue to provide air tickets to Four Seas at no mark-up. Nevertheless, other factors such as market competitive force and airline incentive policies could change, and in such case HK Four Seas might adjust the price in that event. In the event that it would be more favourable for Four Seas to source from other wholesalers in the future after the Disposal, Four Seas might be able to, subject to the above factors, source from other wholesalers with no mark-up in pricing, as Four Seas has good demand for air tickets which would attract other wholesalers to provide no mark-up in order for them to exceed their minimum target to enjoy backend commission. Therefore, the commercial relationship between HK Four Seas and Four Seas are within the range of normal commercial terms and there is no reliance by Four Seas on HK Four Seas both before and after the Disposal.

Other information between the Disposal Group and the Remaining Group

Ms. Cheung will be a director of certain companies of the Remaining Group and the Disposal Group respectively. The Directors consider there is no potential conflict of interest between the Disposal Group and the Remaining Group as the business nature of HK Four Seas and Four Seas are substantially different. Furthermore, in case of potential conflict of interests concerning the common director (i.e. Ms. Cheung) of both groups, the relevant director is aware of the fiduciary duties of being a director and would disclose her interests and abstain from voting according to the applicable law and the relevant companies' articles of association when there is any potential conflict of interests.

Apart from the transactions in the ordinary course of business between HK Four Seas and Four Seas, and the guarantees provided by the Company to banks in respect of banking facilities granted to HK Four Seas which will be released before the Share Purchase Completion Date, there is no financial assistance or guarantee between the Remaining Group and the Disposal Group.

POSSIBLE CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

After Disposal Completion and Share Purchase Completion, certain arrangements between the Disposal Group and the Remaining Group may be entered into. Upon Disposal Completion, Four Seas will be held as to 65% and 35% by New Holdco 2, which is a member of the Remaining Group, and Four Seas (BVI), which is a member of the Disposal Group, respectively. New Holdco 2, Four Seas (BVI) and Four Seas will enter into the Four Seas Shareholders' Agreement at Disposal Completion to govern the shareholders' interest in Four Seas. Similarly, upon Disposal Completion, King Link will be held as to 85% and 15% by New Holdco 2, which is a member of the Remaining Group, and Tek Lee, which is a member of the Disposal Group, respectively. New Holdco 2, Tek Lee and King Link will enter into the King Link Shareholders' Agreement at Disposal Completion to govern the shareholders' interest in King Link.

According to the Share Purchase Agreement, the Company, Four Seas and HK Four Seas shall enter into the Service Agreement, pursuant to which HK Four Seas will provide certain information technology, trademarks licensing, back office support and air ticket purchase agency services to Four Seas.

As members of the Disposal Group are connected persons of the Company, any aforesaid arrangements contemplated under the Four Seas Shareholders' Agreement, the King Link Shareholders' Agreement and the Service Agreement will constitute continuing connected transactions of the Company. Also, the Assignment, which will be carried out pursuant to the Deed of Assignment, will constitute a connected transaction of the Company. The transaction contemplated under the Four Seas Shareholders' Agreement, the King Link Shareholders' Agreement and the Service Agreement is subject to the annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if and to extent that they are applicable. The Company will seek the Independent Shareholders' approval for these transactions at the EGM.

The Service Agreement will also constitute a special deal under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent in relation to the Service Agreement. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Special Deals are fair and reasonable; and (ii) the approval of the Special Deals by the Independent Shareholders by way of poll at the EGM.

Since HK Four Seas is an indirect wholly-owned subsidiary of the Company, (i) Mr. Ng and his associates (including Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade, together being interested in 1,344,181,812 Shares, representing approximately 73.72% of the total issued share capital of the Company as at the Latest Practicable Date); (ii) any parties acting in concert with Mr. Ng; and (iii) parties involved or interested in the Special Deals; will be required to abstain from voting on the resolution(s) approving the Special Deals at the EGM in accordance with the Listing Rules and the Takeovers Code since they are considered to be materially interested in the transactions contemplated under the Special Deals.

Further, as Mr. Ng, Ms. Cheung and Mr. Richard Howard Gorges had a material interest under the Service Agreement, they had abstained from voting on the board resolutions approving the Service Agreement.

THE FOUR SEAS SHAREHOLDERS' AGREEMENT

The proposed terms of the Four Seas Shareholders' Agreement to be entered into at Share Purchase Completion are set out below.

Parties

(i) New Holdco 2 (as shareholder of Four Seas);

(ii) Four Seas (BVI) (as shareholder of Four Seas); and

(iii) Four Seas.

Management of Four Seas

The business of Four Seas shall be managed by the board of directors of Four Seas.

Board composition and proceedings

Unless otherwise agreed by New Holdco 2 and Four Seas (BVI) in writing, the board of directors of Four Seas shall consist of five directors. New Holdco 2 shall have the right to appoint and remove up to three directors and Four Seas (BVI) shall have the right to appoint and remove up to two directors. The directors appointed by New Holdco 2 may elect one of their members to be the chairman of the board.

Questions arising at any board meeting of Four Seas shall be decided by a majority of votes and in the case of an equality of votes, the chairman shall not have a second or casting vote.

No action shall be taken, and no resolution shall be passed, by New Holdco 2, Four Seas (BVI) or the board of directors of Four Seas in respect of the following reserved matters of Four Seas without the unanimous prior written approval of New Holdco 2 and Four Seas (BVI):

(a) change its name or the name under which it carries on business or its memorandum or articles of association;

(b) vary any rights attaching to any shares;

(c) consolidate, subdivide or convert any of its share capital;

(d) pass any resolution the result of which would be its winding up, liquidation or receivership, or make any composition or arrangement with creditors;

(e) issue any debentures or other securities convertible into shares or debentures;

(f) carry on any business other than the business carried on by Four Seas as at the date of the Four Seas Shareholders' Agreement without prior written consent from all is shareholders (which consent should not be unreasonably withheld);

(g) create any fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over the whole or any part of its undertaking, property or assets with a value over HK$1,000,000, except for the purpose of securing its indebtedness to its bankers for sums borrowed in the ordinary course of business;

(h) borrow any sum in excess of HK$1,000,000 in aggregate in any financial year except in the ordinary course of business;

(i) make any loan or advance or give any credit in excess of HK$1,000,000 except in the ordinary course of business;

(j) give any guarantee or indemnity for or otherwise secure the liabilities or obligations of any person in excess of HK$1,000,000 except in the ordinary course of business;

(k) sell, transfer, lease, assign or otherwise dispose of any part of its undertaking, property or assets (or any interest therein) or contract so to do, for any undertaking, property or assets with a value over HK$1,000,000, otherwise than in the ordinary course of business; or

(l) sell or purchase any freehold or leasehold property or any interest therein, for any property or any interest with a value over HK$1,000,000, otherwise than in the ordinary course of business.

Under the Four Seas Shareholders' Agreement, Four Seas will agree with New Holdco 2 and Four Seas (BVI) that it shall (so far as it is legally able to do so) observe and comply with the provisions, prohibitions and restrictions set out above.

It is expected that all the current directors of Four Seas, which include, Ms. Cheung and Mr. Ng Yuk Yeung, Paul, both of whom have accumulated considerable experience in the operation and management of the Travel Agent Business (Corporate) for more than 11 years, will continue to act as directors of Four Seas. The Offeror is in the course of identifying suitable candidates to be appointed as directors of Four Seas, but has not made any decision in respect thereof.

Transfer restrictions

Save where the other shareholders have given their prior written consent, no transfer of shares in Four Seas (or any interest therein) shall be made by either New Holdco 2 or Four Seas (BVI) within 27 months from the Share Purchase Completion Date except for any transfer of shares to the existing shareholders, and no transfer of shares in Four Seas (or any interest therein) shall be made by either New Holdco 2 or Four Seas (BVI) after the expiry of such 27 months unless in compliance with the procedures and provisions relating to the transfer of shares set out in the Four Seas Shareholders' Agreement, a summary of which is set out below:

(a) before transferring or disposing of its shares, the member proposing to transfer or dispose of the same (hereinafter called "the Transferor") shall give a notice in writing (hereinafter called a "Transfer Notice") to Four Seas and each of the other shareholder(s) that it desires to transfer or dispose of the same. The Transfer Notice shall specify details including the number of shares which the Transferor wishes to transfer or dispose of (which may be all or part only of the shares then held by the Transferor) (the "Relevant Shares"), the price at which the Transferor is willing to sell the Relevant Shares (the "Offered Price");

(b) each member shall have the right to purchase all of such Relevant Shares at the Offered Price by delivering a written notice ("Purchase Notice") to the Transferor and the board of Four Seas or at such other price as agreed by the Transferor and all other members within 10 days of the Transfer Notice;

(c) if only one member accepted the offer by delivering the Purchase Notice, the board shall give notice in writing thereof to the Transferor and the Transferor shall be bound upon payment to transfer such of the Relevant Shares to such member as he has applied for. The purchase shall be completed at a place and time to be appointed by the board not being less than three days nor more than 15 days after the date of the Purchase Notice; and

(d) if more than one member accepted the offer for all or any of the Relevant Shares by delivering the Purchase Notice, the board shall allocate the Relevant Shares (or so many of them as shall have been applied for as aforesaid) to or amongst the applicants in proportion as nearly as may be to the number of shares held by them in Four Seas as at the date of the Transfer Notice. The board shall forthwith give notice of such allocations to the Transferor and the members to whom the Relevant Shares have been allocated and shall specify in the said notice the place and time, being not less than three days nor more than 15 days after the date of the Purchase Notice at which the sale of the Relevant Shares so allocated shall be completed.

The commercial rationale of the Disposal Group holding a minority interest in Four Seas after Share Purchase Completion is to retain certain current directors of Four Seas and to ensure the continuous and smooth operation of its Travel Agent Business (Corporate) on an on-going basis. As such, both the Company and the Offeror, to the best knowledge of the Directors, do not have plan to procure any transfer of shares in Four Seas subject to the then circumstances and management decision from time to time. The Directors understand that, any future decision of the Company and the Offeror as to the shareholdings in Four Seas in the long run would depend on various unforeseeable factors, such as the then financial performance of Four Seas, prevailing market conditions and the Directors' vision as to the future growth of Four Seas.

Further, as Mr. Ng, Ms. Cheung and Mr. Richard Howard Gorges had a material interest under the Four Seas Shareholders' Agreement, they had abstained from voting on the board resolutions approving the Four Seas Shareholders' Agreement.

THE KING LINK SHAREHOLDERS' AGREEMENT

The proposed terms of the King Link Shareholders' Agreement to be entered into at Share Purchase Completion are set out below.

Parties

(i) New Holdco 2 (as shareholder of King Link);

(ii) Tek Lee (as shareholder of King Link); and

(iii) King Link.

Management of King Link

The business of King Link shall be managed by the board of directors of King Link.

Board composition and proceedings

Unless otherwise agreed by New Holdco 2 and Tek Lee in writing, the board of directors of King Link shall consist of five directors. New Holdco 2 shall have the right to appoint and remove up to four directors and Tek Lee shall have the right to appoint and remove up to one director. The directors appointed by New Holdco 2 may elect one of their members to be the chairman of the board.

Questions arising at any board meeting of King Link shall be decided by a majority of votes and in the case of an equality of votes, the chairman shall not have a second or casting vote.

No action shall be taken, and no resolution shall be passed, by New Holdco 2, Tek Lee or the board of directors of King Link in respect of certain reserved matters of King Link which are substantially similar to those of Four Seas as set out under the paragraph headed "The Four Seas Shareholders' Agreement" above in this letter without the unanimous prior written approval of New Holdco 2 and Tek Lee.

Under the King Link Shareholders' Agreement, King Link will agree with New Holdco 2 and Tek Lee that it shall (so far as it is legally able to do so) observe and comply with the provisions, prohibitions and restrictions set out above.

It is expected that one of the current directors of King Link, namely Ms. Cheung, who has accumulated considerable experience in the operation and management of the Jewellery Business for more than 20 years, will continue to act as director of King Link. The other directors of King Link will resign as directors of King Link. The Offeror is in the course of identifying suitable candidates to be appointed as directors of King Link, but has not made any decision in respect thereof.

Transfer restrictions

Save where the other shareholders have given their prior written consent, no transfer of shares in King Link (or any interest therein) shall be made by either New Holdco 2 or Tek Lee within 27 months from the Share Purchase Completion Date except for any transfer of shares to the existing shareholders, and no transfer of shares in King Link (or any interest therein) shall be made by either New Holdco 2 or Tek Lee after the expiry of such 27 months unless in compliance with the procedures and provisions relating to the transfer of shares as set out in the King Link Shareholders' Agreement, which are substantially similar to those of Four Seas as set out under the paragraph headed "The Four Seas Shareholders' Agreement" above in this letter.

The commercial rationale of the Disposal Group holding a minority interest in King Link after Share Purchase Completion is to retain a current director of King Link and to ensure the continuous and smooth operation of its Jewellery Business on an on-going basis. As such, both the Company and the Offeror, to the best knowledge of the Directors, do not have plan to procure any transfer of shares in King Link subject to the then circumstances and management decision from time to time. The Directors understand that, any future decision of the Company and the Offeror as to the shareholdings in King Link in the long run would depend on various unforeseeable factors, such as the then financial performance of King Link, prevailing market conditions and the directors' vision as to the future growth of King Link.

Further, as Mr. Ng, Ms. Cheung and Mr. Richard Howard Gorges had a material interest under the King Link Shareholders' Agreement, they had abstained from voting on the board resolutions approving the King Link Shareholders' Agreement.

THE SERVICE AGREEMENT

Date	Share Purchase Completion Date
Parties	(i) The Company;
	(ii) Four Seas; and
	(iii) HK Four Seas (as service provider).

Term

The appointment of HK Four Seas as service provider shall be for a term of three years commencing on the Share Purchase Completion Date.

Principal business activities of the parties

The Company was involved in investment holding activity while its subsidiaries were principally engaged in the sale of air-tickets and other travel related and other services (including the Travel Agent Business (Corporate) and the Travelling Services Business), trading of jewellery products, and the Group's management services and other investment holding.

Four Seas is principally engaged in the Travel Agent Business (Corporate).

HK Four Seas is principally engaged in the Travelling Services Business.

Service to be provided

Pursuant to the Service Agreement, HK Four Seas agrees to provide the following services to Four Seas for a monthly fee of HK$100,000:

(i) provision of information technology and administrative resources and services including but not limited to the use of telephone system with designated phone numbers, email addresses, carrier reservation systems, mid and back office system, and webpage design and maintenance;

(ii) provision of necessary hardware including computers, computer hardware and software systems and the necessary maintenance for such hardware and software provided;

(iii) licensing of such trademarks owned by HK Four Seas to be used by Four Seas;

(iv) purchasing of air tickets from airline companies through IATA and other agencies, which will then be sold to Four Seas on normal commercial terms; and

(v) such other back-office support services and technical support services necessary to support the smooth operation of Four Seas.

The service fee of HK$100,000 per month was arrived at after arm's length negotiation between the parties to the Service Agreement and also taking into account the extent of services required and the estimated costs for HK Four Seas to provide such services to Four Seas.

In relation to the basis for determining the monthly service fee of HK$100,000, since no such services had been provided by any independent third party to Four Seas in the past, there are no comparable terms offered by HK Four Seas or other independent third parties as a basis for determination of the service fee. Instead, the service fee was determined with reference to the actual amount of overheads shared by Four Seas (including telecommunication, software of airlines reservation and hardware and software system) for the year ended 31 December 2013 based on the number of headcount of Four Seas and the estimated cost of Four Seas to maintain its own email domain and website.

Four Seas will get quotations by sending request to independent suppliers other than HK Four Seas. These collected quotations will be compared and evaluated against the service fees and terms under the Service Agreement. The Board shall approve and make final decision as to the suppliers and will ensure the price and terms of the Service Agreement are no less favourable to the Group than those offered by independent suppliers. The Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the above procedures can ensure the Service Agreement is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders as Four Seas can readily obtain the market price information from time to time for assessment, and if the terms and prices offered by independent suppliers is better than that of HK Four Seas, Four Seas can engage other suppliers at its own discretion, further it can terminate the Services Agreement by giving three months' prior written notice at any time during the term of the Service Agreement.

The service fee of HK$100,000 shall be payable in arrears at the last day of each month by Four Seas to HK Four Seas. Four Seas and HK Four Seas shall have the right to terminate the Service Agreement by giving the other not less than three months' prior written notice to that effect.

To comply with Rule 14A.53(2) of the Listing Rules, an annual cap must be set in respect of the fees payable by Four Seas to HK Four Seas under the Service Agreement, which is proposed as follows:

	For the year ending 31 December			
	2014	**2015**	**2016**	**2017**
	(HK$)	*(HK$)*	*(HK$)*	*(HK$)*
Proposed annual caps for 2014 to 2017	2.32 million	7.29 million	7.66 million	5.36 million

Notes:

1. The services to be provided under the Service Agreement is estimated to commence on 1 September 2014 and end on 31 August 2017.

The breakdown of the annual caps is set out as follows:

	For the year ending 31 December				Annualised compound annual growth rate
	2014	**2015**	**2016**	**2017**	
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	%
Services fee	0.4	1.2	1.2	0.8	–
Agency fee	1.92	6.09	6.46	4.56	6.0
Annual Caps	2.32	7.29	7.66	5.36	5.0

The annual caps were determined based on (i) the fixed monthly services fee of HK$100,000, which was determined with reference to the actual amount of overheads shared by Four Seas (including telecommunication, software of airlines reservation and hardware and software system) for the year ended 31 December 2013 based on the number of headcount of Four Seas and the estimated cost of Four Seas to maintain its own email domain and website; and (ii) the agency fee payable by Four Seas to HK Four Seas for the sales of air tickets by HK Four Seas to Four Seas, which was determined with reference to the estimated gross purchase from HK Four Seas, taking into account the historical transaction amount of sales of air tickets by HK Four Seas to Four Seas and an annual growth rate of 6% for the relevant period, and a mark-up of 1.5% on gross purchase as agency fee. The annual caps do not include air ticket fees.

The 6% of annual growth rate mentioned above was determined with reference to the historical growth rate of the gross purchase from HK Four Seas. The historical transaction amount of sales of air tickets by HK Four Seas to Four Seas for each of the three annual years ended 31 December 2013 was HK$325 million, HK$351 million and HK$361 million respectively. The average annual growth rate of the gross purchase from HK Four Seas for the year ended 31 December 2011 to the year ended 31 December 2013 was approximately 5.4%. According to the annual report of the Travel Industry Council of Hong Kong for the year ended 30 June 2013 issued on 18 October 2013, the outbound air ticket sales grew by approximately 7.3% for the nine months ended 30 September 2013 as compared to the last corresponding period. In view of the above, it is fair and reasonable to adopt an annual growth rate of 6% in the estimation of the annual caps.

In relation to the 1.5% mark-up on gross purchase from HK Four Seas adopted in the estimation of the agency fee, it should be noted that different mark-ups are applied for various agents and the factors for consideration include the projected transaction amount, credit period requested by the agent and other factors (for example, special promotion and potential for business strategies). The mark-up charged by HK Four Seas to the general agents for the year ended 31 December 2013 ranged between 0% and 26.3% with an average mark-up of 0.8%. Since Four Seas is provided with a longer credit term, the mark-up adopted in estimating the agency fee, i.e. 1.5%, is higher than the average mark-up of 0.8% charged to general agents, but is still within the range of mark-up (0.25% to 1.75%) charged to other clients of HK Four Seas with similar credit term.

Should the annual fees payable by Four Seas to HK Four Seas exceed the above annual caps in any year during the term of the Service Agreement, the Company will revise the annual caps in compliance with the relevant provisions under Chapter 14A of the Listing Rules.

The Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the terms of the Service Agreement and the annual caps are on normal commercial terms and are fair and reasonable and the Service Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Reasons for entering into the Service Agreement

HK Four Seas and Four Seas will enter into the Service Agreement for the following reasons:

(a) Four Seas could leverage on HK Four Seas' administrative and technical support services and information technology capacities which would reduce operating and administrative expenses and enhance the smooth operation of the Travel Agent Business (Corporate) of Four Seas during the transitional period following Share Purchase Completion; and

(b) HK Four Seas has been operating in the travel industry in Hong Kong for a substantial period of time. Thus, the grant of licence to Four Seas to use HK Four Seas' trademarks and logos could enhance the Remaining Group's market recognition.

Four Seas possesses all necessary licences for the operation of the Travel Agent Business (Corporate) on its own. Moreover, it is expected that two of the current directors of Four Seas and one of the current directors of King Link will remain in office after the Disposal Completion, and that there will be no material change in the number and composition of employees in the Remaining Business Companies after the Disposal Completion. In addition, taking into account the proceeds from the Disposal and the operating cash flow from the Remaining Business Companies, the Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) consider that the Company has the competence and sufficient financial and human resources to run the Remaining Business on its own; and the use of services to be provided by HK Four Seas to Four Seas under the Service Agreement will not amount to reliance on HK Four Seas for the reasons stated below.

The Directors consider that prior to Disposal Completion and Share Purchase Completion, the Remaining Group and the Disposal Group (including HK Four Seas) belong to the same group of companies; hence, other than the different business segment (e.g., jewellery, Travel Agent Business (Corporate), Travelling Services Business) which operates on its own with its own staff team, certain back-office support, such as computer systems, telecommunication systems and other office facilities, is shared by the entire group of companies for convenience and economic reasons. Hence, the principal reason for the Remaining Group to require HK Four Seas to continue to provide such services to

Four Seas is to simplify and take advantage of services readily available to be provided by HK Four Seas at a reasonable cost, and it is also in the interest of the Company as a whole to ensure a smooth transition of its business after Share Purchase Completion.

The hardware and software system provided by HK Four Seas to Four Seas are common computer software and hardware, and they are readily available at similar costs which Four Seas is able to purchase on the market.

Regarding the trademarks held by HK Four Seas, in the event that they cannot be used by Four Seas anymore, it would not materially affect the business operations of Four Seas as the trademarks are not internationally well-known or major trademarks. As long as Four Seas is able to provide quality services to its customers at a competitive price, it could develop its own trademark and brand and would not heavily depend on the trademark and brand of HK Four Seas after the transitional period following Share Purchase Completion.

Furthermore, regarding the knowhow, the relevant staff of Four Seas has the experience to carry out the services provided in the Travel Agent Business (Corporate), and it would not depend on HK Four Seas to run the day to day operations of the Travel Agent Business (Corporate).

Other administrative services to be provided by HK Four Seas to Four Seas would also be readily available if Four Seas would choose to engage separate administrative staff at a standard cost.

The Directors confirm that the purchase of air tickets by HK Four Seas from airline companies through IATA and other agencies are sold to Four Seas on normal commercial terms, and that Four Seas could readily source air tickets at competitive prices from other wholesalers.

The Company does not have any plan in relation to the procurement of services under the Service Agreement after expiry of the Service Agreement in three years or in case of early termination of the Service Agreement. As mentioned above, the Service Agreement is intended to facilitate a smooth transition for Four Seas after Share Purchase Completion, and it is expected that Four Seas will be able to procure alternative resources and services in the market at comparable cost. As such, no material impact on the business and operation of the Group is expected after expiry of the Service Agreement in three years or in case of early termination of the Service Agreement.

In view of the foregoing, the Directors (excluding Independent Board Committees after considering the advice of the Independent Financial Adviser) consider that the terms of the Service Agreement are on commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Financial information of South China (BVI) Group

The unaudited profit or loss before tax of the South China (BVI) Group set out below, which excludes the loss from discontinued operations for the year ended 31 December 2011, are extracted from Appendix II to this circular on page II-2.

	For the years ended			For the four months ended
	31 December 2011	**31 December 2012**	**31 December 2013**	**30 April 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(387)	24,086	27,484	(16,323)

The unaudited profit or loss figures of the South China (BVI) Group have been prepared by the Directors based on the unaudited consolidated management accounts of South China (BVI) and its subsidiaries for each of the three years ended 31 December 2013 and the four months ended 30 April 2014, which have been prepared on the basis consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 (being the latest published financial statements of the Group). As the profit/(loss) figures are for periods already ended, no assumption is involved in computing them.

The above unaudited consolidated profit/(loss) before tax of the South China (BVI) Group for the three years ended 31 December 2011, 2012 and 2013 as well as for the four months ended on 30 April 2014 are required to be reported on under Rule 10 of the Takeovers Code.

Financial Information of the Disposed Companies and the Continuing Business of the Disposed Companies

Year ended 31 December 2011

		Results of Remaining Business Companies						
	South China (BVI) Group	Four Seas *(Note)*	King Link Group	Worldunity	Sub total	Disposed Companies	Results of Travel Agent Business (Corporate) included in Disposed Companies *(Note)*	Continuing Business of the Disposed Companies *(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	152,271	169	57,970	–	58,139	94,132	37,620	56,512
Cost of sales	(47,962)	–	(45,704)	–	(45,704)	(2,258)	–	(2,258)
Gross profit	104,309	169	12,266	–	12,435	91,874	37,620	54,254
Other income	10,323	–	569	641	1,210	9,113	61	9,052
Fair value gain on investment properties	12,800	–	–	–	–	12,800	–	12,800
Fair value loss on financial assets at fair value through profit or loss	(20,043)	–	–	(19,744)	(19,744)	(299)	–	(299)
Selling and distribution expenses	(6,935)	–	(6,857)	–	(6,857)	(78)	–	(78)
Administrative expenses	(88,828)	(33)	(2,787)	–	(2,820)	(86,008)	(20,744)	(65,264)
Other operating expenses	(5,368)	–	(8)	–	(8)	(5,360)	–	(5,360)
Profit from operations	6,258	136	3,183	(19,103)	(15,784)	22,042	16,937	5,105
Finance costs	(6,645)	–	(1,666)	–	(1,666)	(4,979)	–	(4,979)
Profit/(loss) before tax	(387)*	136	1,517	(19,103)	(17,450)	17,063*	16,937	126*

* The amounts exclude the loss from discontinued operations for the year ended 31 December 2011.

Year ended 31 December 2012

	South China (BVI) Group	Results of Remaining Business Companies: Four Seas *(Note)*	King Link Group	Worldunity	Sub total	Disposed Companies	Results of Travel Agent Business (Corporate) included in Disposed Companies *(Note)*	Continuing Business of the Disposed Companies *(Note)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	164,169	222	61,073	–	61,295	102,874	32,862	70,012
Cost of sales	(50,267)	–	(47,999)	–	(47,999)	(2,268)	–	(2,268)
Gross profit	113,902	222	13,074	–	13,296	100,606	32,862	67,744
Other income	3,894	–	493	–	493	3,401	46	3,355
Fair value gain on investment properties	600	–	–	–	–	600	–	600
Fair value gain on financial assets at fair value through profit or loss	6,191	–	–	6,185	6,185	6	–	6
Selling and distribution expenses	(7,332)	–	(7,302)	–	(7,302)	(30)	–	(30)
Administrative expenses	(85,687)	(37)	(3,005)	–	(3,042)	(82,645)	(21,399)	(61,246)
Other operating expenses	(387)	–	(4)	–	(4)	(383)	–	(383)
Profit from operations	31,181	185	3,256	6,185	9,626	21,555	11,509	10,046
Finance costs	(7,095)	–	(1,729)	–	(1,729)	(5,366)	–	(5,366)
Profit before tax	24,086	185	1,527	6,185	7,897	16,189	11,509	4,680

Year ended 31 December 2013

	South China (BVI) Group	Results of Remaining Business Companies: Four Seas (Note)	King Link Group	Worldunity	Sub total	Disposed Companies	Results of Travel Agent Business (Corporate) included in Disposed Companies (Note)	Continuing Business of the Disposed Companies (Note)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	200,556	2,414	86,037	–	88,451	112,105	35,336	76,769
Cost of sales	(77,110)	–	(73,877)	–	(73,877)	(3,233)	–	(3,233)
Gross profit	123,446	2,414	12,160	–	14,574	108,872	35,336	73,536
Other income	6,462	–	631	–	631	5,831	393	5,438
Fair value gain on investment properties	300	–	–	–	–	300	–	300
Fair value gain on financial assets at fair value through profit or loss	11,323	–	–	11,182	11,182	141	–	141
Selling and distribution expenses	(7,509)	–	(7,482)	–	(7,482)	(27)	–	(27)
Administrative expenses	(99,977)	(1,505)	(3,249)	–	(4,754)	(95,223)	(21,070)	(74,153)
Other operating expenses	(1,444)	–	–	–	–	(1,444)	–	(1,444)
Profit from operations	32,601	909	2,060	11,182	14,151	18,450	14,659	3,791
Finance costs	(5,117)	–	(1,266)	–	(1,266)	(3,851)	–	(3,851)
Profit/(loss) before tax	27,484	909	794	11,182	12,885	14,599	14,659	(60)

Four months ended 30 April 2014

	South China (BVI) Group HK$'000	Results of Remaining Business Companies: Four Seas *(Note)* HK$'000	King Link Group HK$'000	Worldunity HK$'000	Sub total HK$'000	Disposed Companies HK$'000
Revenue	54,033	7,782	20,534	–	28,316	25,717
Cost of sales	(19,117)	–	(17,080)	–	(17,080)	(2,037)
Gross profit	34,916	7,782	3,454	–	11,236	23,680
Other income	1,249	87	118	–	205	1,044
Fair value loss on financial assets at fair value through profit or loss	(8,802)	–	–	(8,802)	(8,802)	–
Selling and distribution expenses	(2,380)	–	(2,375)	–	(2,375)	(5)
Administrative expenses	(38,988)	(6,784)	(1,118)	–	(7,902)	(31,086)
Other operating expenses	(759)	–	–	–	–	(759)
Profit/(loss) from operations	(14,764)	1,085	79	(8,802)	(7,638)	(7,126)
Finance costs	(1,559)	–	(378)	–	(378)	(1,181)
Profit/(loss) before tax	(16,323)	1,085	(299)	(8,802)	(8,016)	(8,307)

Note: Prior to the internal reorganisation which took place on 15 October 2013, the Travel Agent Business (Corporate) was mainly conducted by HK Four Seas. The results of the Travel Agent Business (Corporate), which forms part of the Remaining Business, are excluded from the results of the Disposed Companies for each of the three years ended 31 December 2013 for illustrative purpose. The results of the Travel Agent Business (Corporate) were excluded from the results of the Disposed Companies to arrive at the Continuing Business of the Disposed Companies to indicate the historical results of the businesses to be disposed and discontinued by the Remaining Group.

The unaudited profit/(loss) of the Continuing Business of the Disposed Companies for each of the three years ended 31 December 2013 have been compiled by deducting the results of the Travel Agent Business (Corporate) segment generated by HK Four Seas from the unaudited profit/(loss) of the Disposed Companies in the respective years as extracted from its audited financial statements.

The unaudited profit/(loss) before tax of the Disposed Companies set out above and summarised below, which excludes the loss from discontinued operations for the year ended 31 December 2011 are extracted from Appendix II Section A note 4 to this circular.

	For the years ended 31 December 2011 HK$'000	31 December 2012 HK$'000	31 December 2013 HK$'000	For the four months ended 30 April 2014 HK$'000
Profit/(loss) before tax	17,063	16,189	14,599	(8,307)

The unaudited profit or loss figures of the Disposed Companies have been prepared by the Directors based on the unaudited consolidated management accounts of South China (BVI) and its subsidiaries for each of the three years ended 31 December 2013 and the four months ended 30 April 2014, which have been prepared on the basis consistent in all material respects with the accounting policies adopted by the Directors and used in the preparation of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2013 (being the latest published financial statements of the Group), after adjustments to exclude the results of Four Seas, King Link and its subsidiary and Worldunity as extracted from their audited financial statements for the three years ended 31 December 2013 and the unaudited management accounts for the four months ended 30 April 2014.

The above unaudited combined profit/(loss) before tax of the Disposed Companies for the three years ended 31 December 2013, 2012 and 2011 as well as for the four months ended on 30 April 2014 are required to be reported on under Rule 10 of the Takeovers Code.

As at 30 April 2014, the Disposed Companies recorded unaudited net assets of approximately HK$115 million.

Financial effects of the Disposal

Upon completion of the Disposal, the Disposal Group will cease to be subsidiaries of the Company and the Company will cease to have any interest in the Disposal Group. Accordingly, the financial results of the Disposal Group will no longer be consolidated into the financial statements of the Company.

The Disposal Consideration of HK$95,466,000 was agreed between the Company and Tremendous Success after arm's length negotiations, taking into account, among others, (1) the audited net asset value of the Group attributable to owners of the Company as at 31 December 2013 of approximately HK$192,489,000; (2) the deduction of the aggregate audited net asset value of the Company (excluding the investment in subsidiaries included therein), Worldunity, King Link and its subsidiary (i.e. Nanjing Baoqing) and Four Seas, being the Remaining Business Companies, attributable to owners of the Company as at 31 December 2013 of approximately HK$84,362,000, excluding the 15% interest in the audited net asset value of King Link and its subsidiary (i.e. Nanjing Baoqing) and 35% interest in the audited net asset value of Four Seas attributable to owners of the Company as at 31 December 2013 to be retained in the Disposal Group which in aggregate amounted to approximately HK$1,581,000 million; and (3) the waiver of amounts payable by the Remaining Group Companies to the Disposal Group of an aggregate amount of approximately HK$14,547,000 as at 31 December 2013 as extracted from the respective audited financial statements.

Subject to audit, the Remaining Group will record a gain of approximately HK$0.3 million as a result of the Disposal, being the sum of the difference between the total consideration of the Disposal and the net identifiable assets of the Disposal Group as at 31 December 2013.

	HK$'000
Cash consideration	95,466
Add: Amount due to Disposal Group being waived	14,547
Total consideration	110,013
Net identifiable assets of the Group (net of non-controlling interests) as at 31 December 2013:	192,489
Less: Net identifiable assets of the Remaining Group	(82,781)
Net identifiable assets of the Disposal Group	109,708
Gain on disposal	305

Based on the unaudited pro forma statement of profit or loss of the Remaining Group as set out in Appendix III to this circular, assuming the Disposal together with the Reorganisation to be conducted prior to the Disposal as well as the payment of the the Special Dividend had taken place on 1 January 2013, the Remaining Group would have recorded profit of approximately HK$12.9 million for the year ended 31 December 2013 as a result of mainly (i) the exclusion of the results of the Disposed Companies; (ii) the waiver of the amount due to the Disposal Group; (iii) the effects of the interest in 15% and 35% of King Link and Four Seas, respectively; and (iv) the gain on disposal of the Disposal Group.

Based on the unaudited pro forma statement of financial position of the Remaining Group as set out in Appendix III to this circular, assuming the Disposal together with the Group Reorganisation to be conducted prior to the Disposal as well as the payment of the Special Dividend had taken place on 31 December 2013, the total assets of the Group as at 31 December 2013 would decrease by approximately HK$303.1 million to HK$168.3 million, the total liabilities of the Group would decrease by approximately HK$224.3 million to HK$33.1 million. Shareholders should note that the actual amount of deemed Shareholders' distribution or contribution arising from the Disposal will depend on the financial position of the Disposal Group as at the Share Purchase Completion.

Information on the Remaining Group

Principal business of the Remaining Group

The Company, incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange, is an investment holding Company and is the holding company of the Remaining Group.

Upon completion of the Reorganisation, the Remaining Group will be principally engaged in the Travel Agent Business (Corporate) and the Jewellery Business.

The Travel Agent Business (Corporate) refers to the sale of air tickets and other travel-related services principally provided to corporate clients being conducted by Four Seas. The customers and potential customers of Four Seas are mainly corporations which, to the Directors' understanding, usually use more than one supplier to provide travel agency and related services to their staff.

The Jewellery Business is the trading of jewellery products being conducted by Nanjing Baoqing. The Jewellery Business also involves minor processing of jewellery products such as amending the style of jewellery products and repairing. The management is continuously looking for high potential points of sale in Nanjing and the surrounding cities, and will strengthen and consolidate the scale of sales and profitability of the existing points of sale in the coming years in order to achieve continuity in revenue growth and profit improvement.

The Remaining Group has an established business operation. The Directors understand that, the Offeror does not have plan to introduce major changes to the existing business of the Remaining Group after Share Purchase Completion.

As at the Latest Practicable Date, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. It is expected that the executive Directors and non-executive Directors (including the independent non-executive Directors) will resign after the close of the Offer. New Directors will be nominated to the Board subject to compliance with the Takeovers Code, the Listing Rules and the Company's articles of association but no decision has been made as to the identities of the new Directors. Further announcement will be made by the Company in respect of the changes to the Board pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

Financial performance

The Remaining Group recorded revenue of approximately HK$28.3 million for the four months ended 30 April 2014, and approximately HK$88.5 million, HK$61.3 million and HK$58.1 million for the three years ended 31 December 2013, 2012 and 2011, respectively. For further details on the historical financial performance of the Remaining Group, please refer to the section headed "Management discussion and analysis of the Remaining Group" as set out in Appendix I to this circular.

After including the revenue generated from the Travel Agent Business (Corporate) conducted by HK Four Seas in the relevant periods prior to the internal reorganisation on 15 October 2013 of HK$35.3 million, HK$32.9 million and HK$37.6 million for the three years ended 31 December 2013, 2012 and 2011, respectively, the revenue of the continuing business of the Remaining Group would have been HK$123.8 million, HK$94.2 million and HK$95.7 million for the three years ended 31 December 2013, 2012 and 2011, respectively.

Sufficient operations

After considering (i) the proven track record and historical financial performance of the principal business to be conducted by the Remaining Group; (ii) the future prospects of and business outlook of the Remaining Group; (iii) the recurring nature of the Remaining Group's customers; and (iv) the net asset value of the Remaining Group as at Share Purchase Completion, the Board is of the view that the Remaining Group will have sufficient level of operations and sufficient value/assets to warrant the continued listing of the Company under Rule 13.24 of the Listing Rules.

DECLARATION OF SPECIAL DIVIDEND

The Board proposes that, subject to and upon Disposal Completion, the Special Dividend of approximately HK$63.466 million will be declared and paid to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. Based on 1,823,401,376 Shares in issue as at the Latest Practicable Date, the proposed Special Dividend will be approximately HK$0.0348 per Share. The proposed Special Dividend will be paid in cash out of the Company's reserves which will be satisfied by the net proceeds to be received by the Company from the Disposal. An ordinary resolution will be put forward at the EGM for declaration of the Special Dividend.

The payment of the Special Dividend is conditional upon, inter alia, the Disposal Completion.

GENERAL

The Takeovers Code Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Special Deals and the respective transactions contemplated thereunder.

In addition, the Listing Rules Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Connected Transactions and the respective transactions contemplated thereunder.

In respect of the Disposal, the Four Seas Shareholders' Agreement, the King Link Shareholders' Agreement, the Service Agreement and the Deed of Assignment, (i) Mr. Ng and his associates (including Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade); (ii) any parties acting in concert with Mr. Ng; and (iii) parties involved or interested in the relevant transaction, will be required to abstain from voting on the resolution(s) approving the relevant transaction at the EGM in accordance with the Listing Rules and the Takeovers Code (as the case may be) since they are interested in the transactions contemplated thereunder.

As at the Latest Practicable Date, Mr. Ng was s interested in 1,344,181,812 Shares, representing approximately 73.72% of the total issued share capital of the Company as at the Latest Practicable Date. These Shares comprised (i) 71,652,200 Shares directly held by Mr. Ng as beneficial owner; (ii) 371,864,000 Shares held through Parkfield Holdings Limited; (iii) 396,050,252 Shares held through Fung Shing Group Limited; (iv) 16,665,000 Shares held through Ronastar Investments Limited; and (v) 487,949,760 Shares held through Earntrade (of which 237,303,360 Shares were directly held by its wholly-owned subsidiary, Bannock). Each of Parkfield Holdings Limited, Fung Shing Group Limited and Ronastar Investments Limited is wholly owned by Mr. Ng. Each of Earntrade and Bannock is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. Accordingly, Mr. Ng is entitled to exercise control in respect of the Shares held by Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade.

EGM

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, to approve the Special Dividend, the Special Deals and the Connected Transactions by way of poll.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the EGM or any adjournment should you so wish.

RECOMMENDATIONS

The Directors (excluding the members of the Independent Board Committees whose views are subject to the advice to be given by the Independent Financial Adviser) consider that the terms of the Special Deals and the Connected Transactions are on normal commercial terms; and the Special Deals, the Special Dividend and the Connected Transactions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding the members of the Independent Board Committees whose views are subject to the advice from the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Special Deals and the Connected Transactions and the Shareholders to vote in favour of the ordinary resolutions to approve the Special Dividend, to be proposed at the EGM.

The Takeovers Code Independent Board Committee, having considered the advice of Hercules Capital Limited, is of the opinion that the Special Deals and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms and in the ordinary and usual course of business of the Company.

The Listing Rules Independent Board Committee, having considered the advice of Hercules Capital Limited, is of the opinion that the Connected Transactions and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms and in the ordinary and usual course of business of the Company.

Accordingly, the Independent Board Committees recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Special Deals and the Connected Transactions. You are advised to read carefully the letters from the Takeovers Code Independent Board Committee and the Listing Rules Independent Board Committee set out on page 71 and on pages 72 to 73 of this circular respectively. You are also advised to read carefully the letter from Hercules Capital Limited on pages 74 to 107 of this circular which contains advice to the Independent Board Committees and the Independent Shareholders in respect of the Special Deals and the Connected Transactions.

ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

By order of the board of
South China Holdings Limited
Cheung Choi Ngor
Executive Director

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

12 August 2014

To the Independent Shareholders

Dear Sir or Madam,

The SPECIAL DEALS

We refer to the circular dated 12 August 2014 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Takeovers Code Independent Board Committee to consider the Special Deals and the respective transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Hercules Capital Limited has been appointed to advise the Takeovers Code Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 12 to 70 of the Circular, and the letter from Hercules Capital Limited which contains its advice to the Takeovers Code Independent Board Committee and the Independent Shareholders in respect of the Special Deals, the Connected Transactions, and the respective transactions contemplated thereunder as set out on pages 74 to 107 of the Circular.

After taking into consideration the advice from Hercules Capital Limited, we concur with the views of Hercules Capital Limited and consider that the Special Deals and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the EGM to approve the Special Deals and the respective transactions contemplated thereunder.

Yours faithfully,
For and on behalf of the Takeovers Code Independent Board Committee of
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*

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

12 August 2014

To the Independent Shareholders

Dear Sir or Madam,

THE CONNECTED TRANSACTIONS

We refer to the circular dated 12 August 2014 issued by the Company (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Listing Rules Independent Board Committee to consider the Connected Transactions and the respective transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Hercules Capital Limited has been appointed to advise the Listing Rules Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 12 to 70 of the Circular, and the letter from Hercules Capital Limited which contains its advice to the Listing Rules Independent Board Committee and the Independent Shareholders in respect of the Special Deals, the Connected Transactions and the respective transactions contemplated thereunder as set out on pages 74 to 107 of the Circular.

After taking into consideration the advice from Hercules Capital Limited, we concur with the views of Hercules Capital Limited and consider that the Connected Transactions and the respective transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the EGM to approve the Connected Transactions and the respective transactions contemplated thereunder.

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

Mr. David John Blackett	**Mrs. Tse Wong Siu Yin Elizabeth**	**Mr. Cheng Hong Kei**
Independent non-executive Director	*Independent non-executive Director*	*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 Committees and the Independent Shareholders regarding its advice on the Special Deals and the Connected Transactions, prepared for the purpose of incorporation into this circular.

Hercules

Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

12 August 2014

To the Independent Board Committees and
the Independent Shareholders

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL, CONNECTED TRANSACTION AND SPECIAL DEALS IN RELATION TO THE DISPOSAL AGREEMENT POSSIBLE CONNECTED TRANSACTION, CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

1. INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders with respect to the Special Deals and the Connected Transactions, details of which are set out in the Letter from the Board contained in the circular dated 12 August 2014 to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 30 April 2014 (after trading hours), the Company and Tremendous Success entered into the Disposal Agreement, pursuant to which the Company agreed to sell, and Tremendous Success agreed to purchase, the entire issued share capital of South China (BVI), which will hold the Disposal Group after the Reorganisation, for a total consideration of HK$95,466,000.

On the same day, the Offeror and the Vendors entered into the Share Purchase Agreement, pursuant to which the Offeror has conditionally agreed to purchase, and the Vendors have conditionally 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 HK$0.27425 per Sale Share). The Sale Shares represent approximately 65% of the existing issued share capital of the Company as at the Latest Practicable Date. Completion of the Disposal Agreement and the Share Purchase Agreement are inter-conditional and shall take place simultaneously. Subject to Share Purchase Completion, CCBI, will make the Offer, on behalf of the Offeror, on the terms of HK$0.27425 in cash for each Share for all of the then issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

After Disposal Completion and Share Purchase Completion, the Company shall assign, among others, the rights and benefits and liabilities of certain litigation cases (the "Cases") as the plaintiff to a company or company(ies) which Mr. Ng has an interest in, as Mr. Ng has genuine commercial interest in continuing as a plaintiff in the Cases.

The Disposal and the Assignment constitute special deals for the Company under note 4 to Rule 25 of the Takeovers Code and therefore require the consent of the Executive. An application has been made by the Company to the Executive for consent under Rule 25 of the Takeovers Code in relation to the Disposal and the Assignment. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Disposal and the Assignment are fair and reasonable; and (ii) the approval of the Disposal by the Independent Shareholders by way of poll at the EGM.

As one or more of the applicable ratios under Rule 14.07 of the Listing Rules in respect of the Disposal Agreement is over 75%, the Disposal constitutes a very substantial disposal of the Company. As at the Latest Practicable Date, the entire share capital of Tremendous Success is wholly, beneficially and directly owned by Mr. Ng, an executive Director, the chairman of the Board and a substantial Shareholder. Accordingly, Tremendous Success is a connected person of the Company. As such, the Disposal also constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules, and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Furthermore, the Assignment, which will be carried out pursuant to the Deed of Assignment, will constitute a connected transaction of the Company by virtue of Mr. Ng's interest in the transaction and subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

After Disposal Completion and Share Purchase Completion, certain arrangements between the Disposal Group and the Remaining Group may also be entered into. Upon Disposal Completion, Four Seas will be held as to 65% and 35% by New Holdco 2, which is a member of the Remaining Group, and Four Seas (BVI), which is a member of the Disposal Group, respectively. New Holdco 2, Four Seas (BVI) and Four Seas will enter into the Four Seas Shareholders' Agreement at Disposal Completion to govern the shareholders' interest in Four Seas. Meanwhile, upon Disposal Completion, King Link will be held as to 85% and 15% by New Holdco 2, which is a member of the Remaining Group, and Tek Lee, which is a member of the Disposal Group, respectively. New Holdco 2, Tek Lee and King Link will enter into the King Link Shareholders' Agreement at Disposal Completion to govern the shareholders' interest in King Link. In addition, the Company, Four Seas and HK Four Seas shall enter into the Service Agreement, pursuant to which HK Four Seas will provide certain information technology, trademark licensing, back office support and air ticket purchase agency services to Four Seas.

As members of the Disposal Group are connected persons of the Company, the aforesaid arrangements contemplated under the Four Seas Shareholders' Agreement, the King Link Shareholders' Agreement and the Service Agreement will constitute continuing connected transactions of the Company. The Company will comply with the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules if, and to extent that, they are applicable.

The transactions contemplated under the Service Agreement will also constitute special deals under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent under Rule 25 of the Takeovers Code in relation to the transactions contemplated under the Service Agreement. Such consent, if granted, will be subject to (i) the Independent Financial Adviser publicly stating that in its opinion, the terms of the Service Agreement are fair and reasonable; and (ii) the approval of the Service Agreement by the Independent Shareholders by way of poll at the EGM.

(i) Mr. Ng and his associates (including Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock and Earntrade, together being interested in 1,344,181,812 Shares, representing approximately 73.72% of the total issued share capital of the Company as at the Latest Practicable Date); (ii) any parties acting in concert with Mr. Ng; and (iii) parties involved or interested in the Special Deals and the Connected Transactions, will be required to abstain from voting on the resolution(s) approving the Special Deals and the Connected Transactions at the EGM in accordance with the Listing Rules and the Takeovers Code by virtue of their interests in such transactions.

The Takeovers Code Independent Board Committee (comprising all non-executive Directors except Ms. Ng Yuk Mui Jessica, being the daughter of Mr. Ng) has been established by the Company to advise the Independent Shareholders, among other things, as to whether the Offer and the Special Deals are fair and reasonable. Pursuant to Rule 2.8 of the Takeovers Code, the Takeovers Code 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 Special Deals, Ms. Ng Yuk Mui, Jessica was considered not appropriate to be appointed to the Takeovers Code Independent Board Committee to consider the Special Deals. Accordingly, the Takeovers Code Independent Board Committee comprises Mr. David Michael Norman, Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei only.

In addition, the Listing Rules Independent Board Committee, comprising all independent non-executive Directors, namely Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei, has been formed to make a recommendation to the Independent Shareholders as to whether the Connected Transactions are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and as to voting.

We, Hercules Capital Limited, have been appointed, with the approval of the Independent Board Committees, to advise the Independent Board Committees and the Independent Shareholders as to whether the Offer, the Special Deals and the Connected Transactions are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Our recommendations in relation to the Special Deals and the Connected Transactions are set out herein while the advice on the Offer will be included in the composite offer document to be dispatched by the Company.

We are not associated with the Company, Tremendous Success, the Vendors, the Offeror, Four Seas, HK Four Seas, King Link, Tek Lee 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, Tremendous Success, the Vendors, the Offeror, Four Seas, HK Four Seas, King Link, Tek Lee or their respective associates.

2. BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information, statements and representations made to us or referred to in the Circular 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 but before 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 contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular the omission of which would make any statement in the Circular 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 Circular 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 or management of the Company, or is misleading, untrue or inaccurate, and consider that such information may be relied upon in formulating our opinion. We have not, however, for the purposes 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 agreements pertaining to the Special Deals and the Connected Transactions. 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.

3. THE DISPOSAL

Principal Factors and Reasons Considered

In arriving at our opinion regarding the terms of the Disposal Agreement, we have considered the following principal factors and reasons:

3.1 Background information on the Group

The Company is an investment holding company. Its subsidiaries are principally engaged in sale of air tickets and other travel related and other services (including the Travel Agent Business (Corporate) and the Travelling Services Business), trading of jewellery products and the Group's management services and other investment holding.

The audited consolidated financial information of the Group, which was extracted from the 2013 annual report of the Company, is summarised as follows:

	For the year ended 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
Revenue		
– Travel related and other services	114,519	103,096
– Trading and manufacturing of jewellery	86,037	61,073
	200,556	164,169
Profit before tax	27,406	24,007
Profit for the year attributable to owners of the Company	21,812	19,154

	As at 31 December	
	2013	**2012**
	HK$'000	*HK$'000*
Total assets	471,429	452,508
Total liabilities	(257,426)	(266,802)
Net assets	214,003	185,706
Net assets attributable to owners of the Company	192,489	165,019

For the year ended 31 December 2013, the revenue of the 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 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 trading 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 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 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 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.

As at 31 December 2013, the non-current assets of the Group amounted to approximately HK$127.6 million, of which approximately HK$38.9 million were investment properties, approximately HK$48.6 million were available-for-sale financial assets and approximately HK$29.2 million were other non-current assets comprising the land development costs and deposit for acquisition of properties, while the current assets of the Group amounted to approximately HK$343.8 million, which mainly consisted of inventories of approximately HK$32.0 million, trade and other receivables of approximately HK$231.4 million, financial assets at fair value through profit or loss of approximately HK$40.9 million and cash and bank balances of approximately HK$34.2 million. The non-current liabilities of the Group, being advances from shareholders, amounted to approximately HK$62.4 million as at 31 December 2013. The current liabilities of the Group as at 31 December 2013 amounted to approximately HK$195.0 million, which mainly comprised trade and other payables of approximately HK$155.6 million and interest-bearing bank and other borrowings of approximately HK$37.4 million. As at 31 December 2013, the net asset value of the Group amounted to approximately HK$214.0 million and the net assets attributable to owners of the Company amounted to approximately HK$192.5 million.

3.2 Background information on the Disposal Group

Pursuant to the Disposal Agreement, completion of the Disposal is subject to the completion of the Reorganisation, under which (i) New Holdco 1, a Remaining Group Company, will be established as an intermediate holding company holding 100% equity interest of Worldunity; (ii) New Holdco 2, a Remaining Group Company, will be established as an intermediate holding company holding 65% equity interest of Four Seas and 85% equity interest of King Link; (iii) the entire issued share capital of Worldunity will be transferred from Tek Lee, a Disposal Group Company, to New Holdco 1; (iv) 65% of the issued shares of Four Seas will be transferred from Four Seas (BVI), a Disposal Group Company, to New Holdco 2; (v) 85% of the issued shares of King Link will be transferred from Tek Lee to New Holdco 2 in consideration and in exchange of the issue of share(s) by New Holdco 2 to the Company; and (vi) the entire issued share capital of Bounty Gain Group Limited will be transferred from the Company to Tek Lee.

Upon completion of the Reorganisation, the principal business activities of the Disposal Group shall include the Travelling Services Business, which is conducted by HK Four Seas and other business entities in the PRC, and certain inactive property development business in Tianjin, the PRC. The major assets of the Disposal Group shall include certain deposits of property development projects in the PRC, investment properties and trade receivables. HK Four Seas mainly provides air ticketing wholesale services for travel agents in Hong Kong, which accounted for approximately 90% of the total revenue generated from Travelling Services Business for the year ended 31 December 2013. HK Four Seas also provides other travel-related services such as airticketing and hotel bookings for certain customers on a retail basis through its three retail branch offices. However, such business was not and will not be the core business of HK Four Seas and it accounted for only about 10% of the total revenue of HK Four Seas for the year ended 31 December 2013. The major suppliers of HK Four Seas are airline companies. When HK Four Seas receives requests from travel agents (its customers) for air tickets of reserved bookings, HK Four Seas, in turn, sources such air tickets directly from the relevant airline(s) according to its customers' requests.

The financial information of the Continuing Business of the Disposed Companies, which was extracted from the Letter from the Board contained in the Circular (pages 62 to 64 of the Circular), is summarized as follows:

	For the four months ended 30 April 2014	For the year ended 31 December 2013	2012
	HK$'000	*HK$'000*	*HK$'000*
Revenue	25,717	76,769	70,012
(Loss)/Profit from operations	(7,126)	3,791	10,046
Net profit margin (excluding finance costs and tax)	N/A	4.9%	14.3%

For the year ended 31 December 2013, the revenue from the continuing Business of the Disposed Companies increased by approximately 9.7%, as compared to that of 2012, to approximately HK$76.8 million. Such increase was mainly attributable to the change in pricing policy for wholesale of air tickets in the PRC by increasing the selling price of the air tickets. The profit from operations of the Continuing Business of the Disposed Companies for the year ended 31 December 2013 amounted to approximately HK$3.8 million, representing a decrease of approximately 62.3% as compared to the previous year. The net profit margin decreased from approximately 14.3% for the year ended 31 December 2012 to approximately 4.9% for the year ended 31 December 2013. For the four months ended 30 April 2014, the revenue of the Continuing Business of the Disposed Companies amounted to approximately HK$25.7 million. The Continuing Business of the Disposed Companies recorded a loss from operations of approximately HK$7.1 million for the four months ended 30 April 2014.

The decrease in net profit margin of the Continuing Business of the Disposed Companies was mainly attributable to the Travelling Services Business. According to the pro forma financial information of the Disposal Group set out in Appendix II to the Circular, the net profit margins of the Travelling Services Business for the year ended 31 December 2012, the year ended 31 December 2013 and the four months ended 30 April 2014 were approximately 21.5%, 27.2% and 10.9% respectively. The management of the Company advised us that the net profit margin of the Travelling Services Business is generally in a down trend in recent years as the major airlines have launched various policies to tighten the incentive schemes offered to air ticket wholesalers. The net profit margin of the Travelling Services Business for the year ended 31 December 2013 was exceptionally high because the Group received a large air ticket order for a special overseas event of a client which enabled the Group to exceed the quota set by the airlines and got a high backend commission. We were advised that such kind of large order is relatively rare and exceptional. We have reviewed the incentive schemes offered by two airlines, being the major suppliers of the Group, for the years of 2012 to 2014 and noted that the minimum quota for entitlement of backend commission were escalating in the past few years. The minimum target that should be achieved in order to get the backend commission and the target entitled to the maximum backend commission rate for the second quarter of 2014 have been increased, on average, by approximately 12.9% and 17.0%, respectively, as compared to the previous corresponding period. Furthermore, one of the airlines has changed its incentive scheme in 2013 to cancel the additional incentive that would be given to the Group if the Group's purchases from that airline exceeded certain percentage of the Group's total purchases of air tickets in the relevant period. Meanwhile, purchases of air tickets for customers outside Hong Kong and Macao have also become not eligible for backend commission since January 2013. According to the statistics released by International Air Transport Association ("IATA"), the total remittance amount in respect of sale of air tickets under the billing and settlement plan ("BSP"), a system designed to facilitate and simplify the selling, reporting and remitting procedures of IATA accredited passenger sales agents and improve financial control and cash flow for BSP airlines, in Hong Kong for the four months ended 30 April 2014 amounted to approximately HK$8.2 billion, representing an increase of approximately 4.0% as compared to the previous corresponding period. Given the increases in the hurdle amounts for backend commissions are much higher than the growth rate of total remittance amount in relation to the sale of air tickets under the BSP, the management of the Company considers that the growth rate of total remittance amount in relation to the sale of air tickets under the BSP for the four months ended 30 April 2014 of approximately 4.0% is insufficient to offset the average increase in minimum target and target entitled to the maximum backend commission rate of approximately 12.9% and 17.0% respectively. Moreover, the forecasted increase in business travel spending as mentioned in Section 3.3.1 below includes not only spending on air tickets but also other spendings such as accommodation and entertainment etc.. Therefore, the forecasted increase in business travel spending may not increase the remittance amount in respect of the sale of air tickets. In view of the above, the management of the Company anticipated that it would be difficult to achieve the sales target for the maximum backend commission rate set by the airlines and the net profit margin would be further reduced owing to the squeezing of backend commissions by the airlines.

The management of the Company also advised us that the credit period granted by IATA to air ticket wholesalers is diminishing in recent years. On or before 30 June 2013, the credit period offered by IATA was 15–30 days. Since 1 July 2013, the credit period has been reduced to 15–21 days. The Company was notified by IATA that the credit period will be further reduced to 7–15 days on or after 1 January 2015. On the other hand, a longer credit period is usually offered by the Group to travel agents as shortening of the credit period may induce the travel agents to purchase air tickets from other competitors given that customer loyalty in the airticketing industry is low and pricing and credit period are the major criteria for supplier selection of travel agents. Currently, the credit periods offered by HK Four Seas to its top 5 customers, sale to which accounted for over 25% of the total turnover of HK Four Seas for the six months ended 30 June 2014, range from 15–60 days. As the credit periods obtained from the suppliers are much shorter than that offered to the customers, the working capital requirement of Travelling Services Business is relatively high.

Having considered (i) the decreasing trend in net profit margin; (ii) the shortened credit periods granted by the suppliers; (iii) the high working capital requirement for the operation; and (iv) keen competition among the industry players, the Directors consider that the future prospect of the Travelling Services Business is not promising and it is in the interest of the Company and the Shareholders as a whole to realize such business at a fair price through the Disposal.

3.3 Background information on the Remaining Group

The Company is the holding company of the Remaining Group. Upon completion of the Reorganisation, the Remaining Group will be principally engaged in the Travel Agent Business (Corporate) and Jewellery Business.

3.3.1 Travel Agent Business (Corporate)

The Travel Agent Business (Corporate) involves sale of air tickets and other travel-related services principally provided to corporate clients. The financial information of Travel Agent Business (Corporate), which was extracted from the Letter from the Board contained in the Circular (pages 62 to 64 of the Circular), is summarized as follows:

	For the four months ended 30 April 2014	**For the year ended 31 December 2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	7,782	37,750	33,084
Profit from operations	1,085	15,568	11,694
Net profit margin (excluding finance costs and tax)	13.9%	41.2%	35.3%

For the year ended 31 December 2013, revenue from Travel Agent Business (Corporate) amounted to approximately HK$37.8 million, representing an increase of approximately 14.1% as compared to the previous year. The increase was mainly attributable to the introduction of several new large-scale projects in 2013. The profit from operations also improved by approximately 33.1% as compared to that of 2012 and amounted to approximately HK$15.6 million for the year ended 31 December 2013. The net profit margin increased from approximately 35.3% for the year ended 31

December 2012 to approximately 41.2% for the year ended 31 December 2013. For the four months ended 30 April 2014, revenue and profit from operations of Travel Agent Business (Corporate) amounted to approximately HK$7.8 million and HK$1.1 million respectively. The net profit margin for Travel Agent Business (Corporate) amounted to approximately 13.9% for the four months ended 30 April 2014.

With reference to the report titled "GBTA BTI^{TM} 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.

According to the statistics released by IATA, there were approximately 2.2 million sale transactions with total remittance amount of approximately HK$8.2 billion in respect of sale of air tickets under the BSP in Hong Kong for the four months ended 30 April 2014, representing an increase of approximately 6.8% in transaction volume and an increase of 4.0% in transaction amount as compared to the previous corresponding period.

Given that the actual revenue growth rate of the Group's Travel Agent Business (Corporate) for the year ended 31 December 2013 of 14.1% is much higher than the growth rate of 5.4% in global business travel sales for the year of 2013 as reported in "GBTA BTI^{TM} Outlook – 1st Half 2014 China", the Directors believe that the performance of the Travel Agent Business (Corporate) may be able to match with the expected industry growth and are optimistic about the future development of the Travel Agent Business (Corporate).

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.

We understand from the management of the Company that Four Seas will strengthen its investments in sales and marketing to expand and diversify its business product types into meetings, incentives, conferences and exhibitions (MICE), hotel booking and cruise products. Meanwhile, Four Seas will also seek for global joint venture partners to expand its business opportunities of global and multi-national corporate customers. Given a positive outlook of the business travel industry and the Group's proactive measures in further strengthening its sales and marketing force for the Travel Agent Business (Corporate), the Directors believe, and we concur with their view, that the Travel Agent Business (Corporate) shall have potential for further improvement.

3.3.2 Jewellery Business

The Jewellery Business principally involves trading of jewellery products such as precious stones, jade, gold and silver in the flagship store and counters of large department stores in Nanjing as well as minor processing of jewellery products such as amending the style of jewellery products and repairing. The financial information of the Jewellery Business, which was extracted from the Letter from the Board contained in the Circular (pages 62 to 64 of the Circular), is summarised as follows:

	For the four months ended 30 April	**For the year ended 31 December**	
	2014	**2013**	**2012**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	20,534	86,037	61,073
Profit from operations	79	2,060	3,256
Net profit margin (excluding finance costs and tax)	0.4%	2.4%	5.3%

For the year ended 31 December 2013, revenue from the Jewellery Business amounted to approximately HK$86.0 million, representing an increase of approximately 40.9% as compared to the previous year. The increase in revenue was mainly attributable to the increased demand for gold products as a result of the slide of the international gold price. However, the gross profit margin of the Jewellery Business decreased 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. Meanwhile, the net profit margin of the Jewellery Business decreased from approximately 5.3% for the year ended 31 December 2012 to approximately 2.4% for the year ended 31 December 2013. For the four months ended 30 April

2014, revenue and profit from operations of the Jewellery Business amounted to approximately HK$20.5 million and HK$0.1 million respectively. The net profit margin of the Jewellery Business was approximately 0.4% for the four months ended 30 April 2014.

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 urbanization 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 authorized 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.

We noted from the historical track record of the Remaining Group that the performance of the Jewellery Business is highly dependent on the gold price. The gross profit margin of the Jewellery Business increased when the gold price increased. According to the gold price forecast released by The Bank of America Merrill Lynch in July 2014, it raised its gold price forecast for 2014 by approximately 1% to US$1,308 per ounce in view of the lack of mine supply and the growth in demand from emerging markets and the gold price forecast for 2015 was expected to further increase to US$1,375 per ounce. Given the continuous economic growth in the PRC, the increasing forecasted gold price and the Company's strategy to look for high potential points of sale in Nanjing and the surrounding cities, the Directors consider 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 shall be positive in the foreseeable future.

3.4 Separability of the businesses between HK Four Seas and Four Seas

Prior to the implementation of the Group's internal reorganisation on 15 October 2013, both the Travelling Services Business and the Travel Agent Business (Corporate) were mainly managed and carried out by HK Four Seas while Four Seas mainly served as the in-house travel agent for various fellow companies in which certain Directors have beneficial interests and provided travel agency and travel related services to staff of these companies. HK Four Seas and Four Seas shared certain back-office supports, such as computer systems, telecommunication systems and other office facilities, although they are operated on their own with their respective staff teams.

Since completion of the internal reorganisation, HK Four Seas has focused on the Travelling Services Business while Four Seas has been principally engaged in the Travel Agent Business (Corporate). HK Four Seas mainly provides air ticket wholesale services to travel agents in Hong Kong, which accounted for approximately 90% of the total revenue generated from Travelling Services Business for the year ended 31 December 2013. Upon special requests by the customers, HK Four Seas sometimes also provides other travel-related services such as air ticketing and hotel bookings for customers on a retail basis through three retail branches. However, such business was not and will not be the core business of HK Four Seas and it accounted for only approximately 10% of the total revenue generated from Travelling Services Business for the year ended 31 December 2013. The major suppliers and customers are airline companies and travel agents respectively. When HK Four Seas receives requests from travel agents (its customers) for air tickets of reserved bookings, HK Four Seas shall, in turn, source such air tickets from the relevant airlines according to the customer's needs. Being a wholesaler of air tickets, HK Four Seas does not launch many marketing campaigns. It usually recruits new customers by conducting cold calls to travel agents and it places more emphasises on maintaining the relationships with the existing customers. HK Four Seas in general sets a lower price in order to attract travel agents to source more air tickets from it so as to achieve a higher transaction volume and enjoy more backend commission from airlines for exceeding the minimum quota. We were confirmed by the management of HK Four Seas that HK Four Seas has no intention to engage in Travel Agent Business (Corporate) in the foreseeable future.

Four Seas is a travel agent selling air tickets sourced from wholesalers, such as HK Four Seas, to corporate customers. Services provided by Four Seas include, among others, the planning and provision of routing services (scheduling of itinerary), arrangement of air tickets, land transportation, hotel accommodation, travel insurance and travel visa, etc., for staff of corporate customers to suit their business travel needs. Four Seas, in its own capacity and name, has obtained (i) the Travel Agents Licence under the Travel Agents Ordinance (Cap.218 of the Laws of Hong Kong) with validity up to 1 August 2015; and (ii) the Certificate of Accreditation (2014) issued by International Air Transport Association ("IATA"). It is also an ordinary member of Travel Industry Council of Hong Kong. As a license holder of the Travel Agents Licence, Four Seas is permitted to provide both inbound and outbound travel services to customers, including tour operation, hotel bookings and sale of air tickets. With the Certificate of Accreditation issued by IATA, Four Seas is authorised to purchase air tickets directly from airlines and settle the relevant payments through IATA's billing and settlement system. Currently, Four Seas has more than 700 active corporate customers, including banks, university departments and hotels, and more than 300 suppliers. Four Seas generally sources and obtains new customers through referrals or bidding by submission of tender. In addition, as part of Four Seas' marketing efforts, the sales staff of Four Seas also conduct cold calls to source potential new customers. Four Seas in general sets a higher price, as compared to HK Four Seas, as most of its corporate customers do not purchase air tickets in bulk quantity and no bulk purchase discount is required to be offered to the customers.

In spite of possessing the Certificate of Accreditation and the right to purchase air tickets directly from airlines for sale to its customers, Four Seas usually purchases air tickets through HK Four Seas, instead of purchasing air tickets directly from airlines, to enable both HK Four Seas and Four Seas can enjoy the mutual benefit of lower prices with bulk purchases from the airlines. We were advised by the management of the Company that Four Seas is intended to continue to purchase air tickets from HK Four Seas under the Service Agreement after completion of the Disposal. We also noted that Four Seas shall continue to share certain information technology and administrative resources and services with HK Four Seas and use the trademarks owned by HK Four Seas in its daily operation during the transitional period following Share Purchase Completion.

The management of the Company explained to us that the above arrangements for sharing the procurement, information technology, administrative and back-office support services between HK Four Seas and Four Seas and licensing the trademark of HK Four Seas to Four Seas are only short-term measures for minimising the operating and administrative expenses of Four Seas and enhancing the smooth operation of the Travel Agent Business (Corporate) of Four Seas during the transitional period. As the hardware and software systems to be provided by HK Four Seas to Four Seas under the Service Agreement are common computer software and hardware, Four Seas can acquire such hardware and software readily in the market at similar costs in case such systems are no longer provided by HK Four Seas. The Directors believe that as long as Four Seas is able to provide quality services to its customers at a competitive price, it can develop its own trademark and brand. Therefore, Four Seas shall actively develop its own trademark and branding so as to minimise its reliance on using the trademark of HK Four Seas. In light of the above, the Directors consider that there will not be any significant adverse impact on the business operations of Four Seas even if HK Four Seas ceases to license its trademark to Four Seas.

Having considered that (i) HK Four Seas is engaged in air ticket wholesale business while Four Seas is engaged in air ticket retail business; (ii) the business model, scope of services, target customers, pricing strategies and sale and marketing strategies of HK Four Seas and Four Seas are substantially different; (iii) both HK Four Seas and Four Seas have obtained all necessary licenses and membership which enable them to conduct their respective businesses independently; (iv) HK Four Seas and Four Seas have been operated by separate staff teams with different skills and knowledge; (v) Four Seas can operate independently without heavy reliance on the support of HK Four Seas; and (vi) neither there is any intention for HK Four Seas to engage in Travel Agent Business (Corporate) in the foreseeable future nor there is any plan for Four Seas to engage in Travelling Services Business in the foreseeable future, we concur with the Board's view that there is a clear delineation between the businesses of HK Four Seas and Four Seas, and they are independent of, separable from and not competing with, each other after the business reorganisation. Accordingly, we believe that the Remaining Group can manage and operate the Travel Agent Business (Corporate) effectively and independently via Four Seas even after the Disposal.

3.5 Reasons for the Disposal

As discussed in Sections 3.2 and 3.3.1, the net profit margins of the Continuing Business of the Disposed Companies for the two years ended 31 December 2012 and 2013 were approximately 14.3% and 4.9% respectively and loss from operations was recorded by the Continuing Business of the Disposed Companies for the four months ended 30 April 2014 while the net profit margins of the Travel Agent Business (Corporate) for the two years ended 31 December 2012 and 2013 were approximately 35.3% and 41.2% respectively and profit from operations was recorded continuously for the two years ended 31 December 2013 and the four months ended 30 April 2014. In view of the decreasing net profit margin of the Continuing Business of the Disposed Companies and the squeezing of the backend commissions from airlines, the Directors consider that the growth potential of the businesses of the Disposal Group (other than the Travel Agent Business (Corporate) and the Jewellery Business) is limited and certain businesses of the Disposal Group generate low net profit margins but require a substantial amount of working capital as compared to the Travel Agent Business (Corporate) for their operations. On the other hand, the Directors are optimistic about the development of the Remaining Business.

Given that (i) the profit of the Continuing Business of the Disposed Companies has been decreasing since the year ended 31 December 2012 and a loss was recorded for the four months ended 30 April 2014; (ii) the net profit margin of the Travelling Services Business is expected to be further reduced as a result of the squeezing of backend commissions by the airlines; and (iii) the working capital requirement of the Travelling Services Business is high, the Directors consider, and we concur with their view, that breakthrough improvement on the performance of the Continuing Business of the Disposed Companies is difficult, although not impossible, to achieve whereas the Disposal can provide the Company with the necessary funding for the distribution of the Special Dividend to all Qualifying Shareholders and an exit opportunity to realise its investment in the Disposal Group at a fair price and enable the Group to reallocate its resources from the Continuing Business of the Disposed Companies to other business such as the Travel Agent Business (Corporate) and other potential investments, which the Directors consider to be having a higher growth potential.

We noted that the Disposal Group includes 15% interest in King Link, which carries out the Jewellery Business, and 35% interest in Four Seas, which carries out the Travel Agent Business (Corporate). We were advised by the management of the Company that the Vendors will not be retained as management of the Remaining Business if they no longer have any equity interest in Four Seas and King Link. In order to ensure the continuous and smooth operation of the Jewellery Business and the Travel Agent Business (Corporate) on an on-going basis upon Share Purchase Completion, the Vendors, the Offeror and the Company decided that the Disposal Group shall have a minority interest in the Jewellery Business and the Travel Agent Business (Corporate) of 15% and 35% respectively. Such shareholding percentages are commensurate with the proportion of directors to be nominated by the Disposal Group in order to ensure Ms. Cheung, one of the existing directors of King Link, could continue to act as one of the five directors of King Link and Ms. Cheung and Mr. Ng Yuk Yeung, Paul, both the existing directors of Four Seas, could continue to act as two of the five directors of Four Seas respectively. As such, Ms. Cheung, who has accumulated considerable experiences in the operation and management of the Jewellery Business and the Travel Agent Business (Corporate) for over 20 years and 11 years respectively will continue to act as the director of King Link and Four Seas and participate in the management of such businesses and help to maintain the cooperation between King Link and another shareholder of Nanjing Baoqing. Mr. Ng Yuk Yeung, Paul, who has more than 11 years of management experience in the Travel Agent Business (Corporate) shall also be retained as a director of Four Seas.

Having considered that (i) the 15% equity interest in King Link and 35% equity interest in Four Seas will be disposed of to Tremendous Success at a fair and reasonable consideration (please refer to Section 3.6 for our analysis on the Disposal Consideration); (ii) Ms. Cheung and Mr. Ng Yuk Yeung, Paul have extensive experiences in the Jewellery Business and the Travel Agent Business (Corporate) (as the case maybe) and their experiences can facilitate the continuous and smooth operation of the Jewellery Business and the Travel Agent Business (Corporate) during the transitional period; (iii) the Remaining Group shall retain a controlling stake in the Jewellery Business and the Travel Agent Business (Corporate) to facilitate its effective management of the relevant businesses; (iv) the minority interests in King Link and Four Seas to be held by the Disposal Group provide incentive for the directors of King Link and Four Seas to contribute to the development of King Link and Four Seas; and (v) the 15% equity interest in King Link and 35% equity interest in Four Seas could ensure certain existing directors of King Link and Four Seas to be retained as director(s) of King Link and Four Seas upon Share Purchase Completion, we concur with the view of the Directors that the aforementioned arrangements may facilitate the continuous and smooth operation of the Jewellery Business and the Travel Agent Business (Corporate) on an on-going basis after Share Purchase Completion and the minority interests of 15% and 35% in King Link and Four Seas respectively to be held by the Disposal Group are commercially justifiable.

Based on the above analysis on the information of the Group, the Disposal Group and the Remaining Group and the outlooks of the travel business and jewellery industry in the PRC, we concur with the Directors' view that the entering into of the Disposal Agreement is in the interests of the Company and the Shareholders as a whole.

3.6 Principal terms of the Disposal Agreement

Pursuant to the Disposal Agreement, the Company agreed to sell, and Tremendous Success agreed to purchase, the Disposal Shares for a Disposal Consideration of HK$95,466,000, which shall be settled by Tremendous Success by cheque in favour of the Company or its nominee to be delivered to the Company on the Share Purchase Completion Date. According to the Directors, the Disposal Consideration was agreed between the Company and Tremendous Success after arm's length negotiations, taking into account, among others, (i) the audited net asset value of the Group attributable to owners of the Company as at 31 December 2013 of approximately HK$192,489,000; (ii) the deduction of the aggregate audited net asset value of the Company (excluding the investment in subsidiaries included therein), Worldunity, King Link and its subsidiary (i.e. Nanjing Baoqing) and Four Seas attributable to owners of the Company as at 31 December 2013 of approximately HK$84,362,000 and adjusted for 15% interest in the audited net asset value of King Link and its subsidiary (i.e. Nanjing Baoqing) attributable to owners of the Company as at 31 December 2013 and 35% interest in the audited net asset value of Four Seas attributable to owners of the Company as at 31 December 2013 to be retained in the Disposal Group which in aggregate amounted to approximately HK$1,581,000; and (iii) the waiver of amounts payable by the Remaining Group Companies to the Disposal Group of an aggregate amount of approximately HK$14,547,000 as at 31 December 2013 as extracted from the respective audited financial statements.

To assess the fairness and reasonableness of the Disposal Consideration, we have considered the commonly adopted comparable approaches in evaluation of a company, namely price-to-earnings approach, dividends approach and net assets approach. However, given that no dividends were declared by South China (BVI) for the past two years, we consider that the dividends approach is not applicable for assessing the value of the Disposal Group and thus only the price-to-earnings approach and the net assets approach are adopted in assessing the value of the Disposal Group.

With reference to the pro forma financial information of the Disposal Group as set out in Appendix II to the Circular, the consolidated net profit attributable to owners of South China (BVI) for the year ended 31 December 2013 amounted to approximately HK$9.7 million and the adjusted consolidated net asset value of the Disposal Group attributable to owners of South China (BVI) as at 30 April 2014 amounted to approximately HK$86.0 million, which was calculated based on the consolidated net asset value of the Disposal Group attributable to owners of South China (BVI) of approximately HK$100.5 million, and adjusted for the waiver of amounts payable by the Remaining Group Companies to the Disposal Group in an amount of approximately HK$14.5 million, as at 30 April 2014. The valuation for the property held by the Disposal Group as at 31 May 2014 was the same as the carrying amounts of the property in the accounts of the Disposal Group as at 30 April 2014 and 31 December 2013 and thus no adjustments in relation to valuation surplus/deficiencies are necessary for the calculation of the consolidated net profit attributable to owners of South China (BVI) for the year ended 31 December 2013 and adjusted consolidated net asset value of the Disposal Group attributable to owners of South China (BVI) as at 30 April 2014. Accordingly, the price-to-earnings ratio (the "PER") and price-to-book ratio (the "PBR") of the Disposal Group implied by the Disposal Consideration of approximately HK$95.5 million are approximately 9.85 times and 1.11 times respectively.

We have identified the companies listed on the Stock Exchange and classified as engaged in travel and tourism industry and reviewed their principal activities. However, no companies listed on the Stock Exchange with principal business activity of wholesale of air tickets, which is the same as the principal activity of the Disposal Group, were identified. As such, we extended the business activity of comparables to cover sale of air tickets and other travel-related services such as travel agent services as the Disposal Group has also conducted certain travel-related services such as travel package and hotel bookings although those businesses are not the core business of the Disposal Group. We have compared the PER and PBR of the Disposal Group implied by the Disposal Consideration with those of other comparable companies, which are currently listed on the Stock Exchange and have over 50% of their turnover derived from the business of sale of air tickets and other travel-related services such as travel agent services, which is similar to the business of the Disposal Group. Based on the above-mentioned criteria, we have, to our best knowledge, identified four comparable companies (the "Comparables") as valuation benchmarks and we consider such Comparables represent an exhaustive list of relevant comparable companies based on the said criteria and is sufficient for assessing the fairness and reasonableness of the Disposal Consideration. Set out in

Table 1 below is a comparison of the PER and PBR of the Disposal Group as implied by the Disposal Consideration and the Comparables as at the Latest Practicable Date.

Table 1 – PER and PBR of the Comparables and the Disposal Group

Company name (stock code)	Principal business activities	PER as at the Latest Practicable Date (times)	PBR as at the Latest Practicable Date (times)
Travel Expert (Asia) Enterprises Limited (1235)	Provision of services relating to the sale of air tickets, hotel accommodation and other travel related products and property investment	11.87	3.32
Lottotainment Group Limited (8022)	Provision of travel agent services, advertising and marketing services and trading of securities	N/A	1.83
Success Universe Group Limited (487)	Leasing and management of cruise ship, travel-related and lottery businesses	71.34	1.35
Well Way Group Limited (8063)	Provision and operation of travel business, treasury management and precious metal trading	N/A	0.51
	Minimum	11.87	0.51
	Maximum	71.34	3.32
	Average	41.61	1.75
the Disposal Group	Travelling Services Business and certain inactive property development business	9.85	1.11

Source: the website of the Stock Exchange

As two out of the four Comparables recorded losses for their latest financial year, only two Comparables have PER for comparison purposes. We consider that the sample size for comparables of PER is too small and a comparison and valuation based on which will not be meaningful. Accordingly, we give up the price-to-earnings approach for assessing the value of the Disposal Group.

As shown in Table 1, the PBRs of the Comparables range from approximately 0.51 times to 3.32 times, with an average of approximately 1.75 times. The implied PBR of the Disposal Group of approximately 1.11 times falls within the range of the PBRs of the Comparables but is lower than the average PBR of the Comparables.

We understand that the Comparables are not engaged in exactly the same business, being wholesale of air tickets, as the Disposal Group and they may not be entirely comparable to the Disposal Group in terms of market capitalization, geographical spread of activities, scale of operations, asset base, cash position, debt structure, minority interest, risk profile, track record, composition of their business activities, future prospects and other relevant criteria. All these factors may affect the valuation of a company as indicated by the varied range of result in our comparison. Therefore, the above comparison with the Comparables is for illustrative purpose only and in forming our opinion, we have considered the results of the above comparison together with all other factors stated in Section 3 of this letter as a whole.

Due to the aforementioned limitation in comparison approach, we have also considered to assess the value of the Disposal Group by income approach. However, given valuations using income approach involve various subjective assumptions and parameters which may largely affect the value of the subject, we consider that it is not appropriate to use income approach to assess the value of the Disposal Group.

Having considered that (i) a loss was recorded by the Disposal Group for the four months ended 30 April 2014 and the Disposal can prevent the Group from incurring additional loss; (ii) a disposal gain shall be recorded by the Remaining Group as a result of the Disposal; and (iii) the implied PBR of the Disposal Group falls within the range of the PBR of the Comparables although it is lower than the average PBR of the Comparables, we consider that the Disposal Consideration is commercially justifiable, fair and reasonable so far as the Independent Shareholders are concerned and it is on normal commercial terms.

3.7 Intended applications of sale proceeds from the Disposal

The total consideration of the Disposal is approximately HK$95.5 million. The Board proposes that approximately HK$63.5 million of the proceeds from the Disposal shall be distributed as a Special Dividend to all Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. Based on 1,823,401,376 Shares in issue as at the Latest Practicable Date, the proposed Special Dividend will be approximately HK$0.0348 per Share, which represents a yield of approximately 7.33% with reference to the closing price of HK$0.475 per Share as quoted on the Stock Exchange on the Last Trading Day. The remaining proceeds of approximately HK$32.0 million from the Disposal will be used for general working capital of the Group.

Given that all Qualifying Shareholders, including the Independent Shareholders, shall be benefited from the payment of the Special Dividend equally and the Group currently has no investment plan and additional funding needs, we consider that the distribution of the Special Dividend to Shareholders is in the interests of the Company and the Independent Shareholders as a whole. Furthermore, the additional working capital of approximately HK$32.0 million shall further improve the liquidity of the Group and provide additional resources for the future development of the core businesses of the Group. In view of the above, we consider that the intended uses of proceeds from the Disposal are in the interests of the Company and the Independent Shareholders as a whole.

3.8 Financial effects of the Disposal

3.8.1 Earnings

Upon Disposal Completion, the Company will cease to hold any equity interest in South China (BVI) and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Company.

With reference to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, had the Disposal and the Reorganisation been completed on 1 January 2013, the profit for the year of the Group attributable to owners of the Company would have been decreased from approximately HK$21.8 million to approximately HK$12.4 million.

3.8.2 Cashflow

The Group will receive cash proceeds of approximately HK$95.5 million from the Disposal. After deduction of the payment of the Special Dividend of approximately HK$63.5 million, the net cash inflow for the Group would be approximately HK$32.0 million.

3.8.3 Net asset value

Upon Disposal Completion, South China (BVI) will cease to be a subsidiary of the Company and the assets and liabilities of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Company.

With reference to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, had the Disposal, the Reorganisation and the payment of the Special Dividend been completed on 31 December 2013, the net asset value of the Group attributable to owners of the Company would have been decreased from approximately HK$192.5 million to approximately HK$129.3 million while the net asset value of the Group attributable to owners of the Company per Share would have been decreased from approximately HK$0.11 to approximately HK$0.07, calculated based on 1,823,401,376 Shares as at 31 December 2013. For illustrative purpose only, assuming that the Special Dividend would not be distributed, the net asset value of the Group attributable to owners of the Company would have been increased from approximately HK$192.5 million to approximately HK$192.8 million while the net asset value of the Group attributable to owners of the Company per Share would have been remained at a similar level of approximately HK$0.11 had the Disposal and the Reorganisation been completed on 31 December 2013.

3.8.4 Gearing

With reference to the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, had the Disposal, the Reorganisation and the payment of the Special Dividend been completed on 31 December 2013, the total assets of the Group would have decreased by approximately HK$303.1 million from approximately HK$471.4 million to approximately HK$168.3 million while the total liabilities of the Group would have decreased by approximately HK$224.3 million from approximately HK$257.4 million to approximately HK$33.1 million. As such, the gearing of the Group (as expressed in the ratio of total liabilities to total assets) would have decreased from approximately 0.55 to approximately 0.20. For illustrative purpose only, assuming that the Special Dividend would not be distributed, had the Disposal and the Reorganisation been completed on 31 December 2013, the total assets of the Group would have decreased by approximately HK$239.6 million from approximately HK$471.4 million to approximately HK$231.8 million while the total liabilities of the Group would have decreased by approximately HK$224.3 million from approximately HK$257.4 million to approximately HK$33.1 million. As such, the gearing of the Group (as expressed in the ratio of total liabilities to total assets) would have decreased from approximately 0.55 to approximately 0.14.

Based on the above analysis, the Disposal (together with the payment of the Special Dividend) will have positive financial effects on the Group in terms of cashflow and gearing but negative financial effects on the earnings and net asset value of the Group. Having considered the reasons and the terms of the Disposal Agreement and the fact that the decrease in net asset value of the Group was caused by the distribution of the Special Dividend to the Shareholders, we are of the view that the adverse financial impact of the Disposal in terms of earnings and net asset value is acceptable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Given the Disposal (excluding the payment of the Special Dividend) would have positive financial effects on the Group in terms of cashflow, net asset value and gearing but negative financial effect on the earnings of the Group, our view on the Disposal would not be changed even if the Special Dividend was not distributed.

3.9 Conclusion for the Disposal

Having regard to the factors mentioned above, we consider that the terms of the Disposal Agreement are on normal commercial terms and the Disposal, which constitutes a special deal, is fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. THE ASSIGNEMENT

4.1 Background information on the Cases

The disputes in the Cases stem from a joint venture agreement entered into in January 2000. The disputes in the PRC started in 2004. Janful and/or the joint venture company in the PRC first commenced arbitration proceedings in the PRC in January 2005 and there had been about 23 arbitrations/civil proceedings/applications for judicial reviews/appeals in the PRC since then and before the commencement of the cases in Hong Kong. The Company commenced legal proceedings in Hong Kong to sue, among others, Sinosoft Technology Group Ltd, the joint venture partner and its related parties in August and December 2013. Further details of the Cases are set out in the Letter from the Board contained in the Circular. Being the plaintiffs of the Cases, the Company and Janful are entitled to the benefit, interest, liability, cost, damage and/or expenses in connection with or arising from the Cases.

The Company has only recently commenced legal proceedings in Hong Kong and pleadings are not closed yet. According to the information provided by the Company, the main remedies claimed by the Company and Janful for the Cases mainly include:

HCA 2345/2013

(1) An order that all the defendants (except Sinosoft Technology Group Ltd.) do provide:

(i) an account of the Software Products and the IPRs (as defined in the Amended Statement of Claim) and their status and whereabouts;

(ii) an account of their dealings with the Software Products and the IPRs since January 2000 to date; and

(iii) an account of all profits and benefits obtained by each of them (whether directly or indirectly through their nominees, associates, agents and/or other companies in which they have an interest) from the Software Products and the IPRs since January 2000;

(2) An order that all the defendants (except Sinosoft Technology Group Ltd.) do provide an account of all benefits, profits and business opportunities arising from the joint venture business, which they have diverted/misappropriated for their own benefit or for the benefit of any other third party;

(3) Damages and/or equitable compensation against all the defendants (except Sinosoft Technology Group Ltd.) for breaches of fiduciary duties (to be assessed);

(4) Damages and/or equitable compensation against Sinosoft Technology Group Ltd. for knowingly/dishonestly assisting other defendants in their breaches of fiduciary duties (to be assessed); and

(5) Damages against each of the defendants for conspiracy to injure the Company and/or Janful by unlawful means.

HCA No. 1613 of 2013

(1) An injunction to restrain Sinosoft Technology Group Ltd., whether by itself and/or by its directors, servants, agents or otherwise howsoever, from further publishing or causing to be printed, published or distributed the offending words, or any similar words defamatory of the Company or Janful in any way or by any means (including in the form of electronic or wireless publication);

(2) An injunction to restrain Xin Ying Mei, whether by herself and/or by her servants, agents or otherwise howsoever, from further publishing or causing to be printed, published or distributed the offending words, or any similar words defamatory of the Company or Janful in any way or by any means (including in the form of electronic or wireless publication); and

(3) Damages for libel and/or malicious falsehood, including aggravated and exemplary damages.

Up to 31 May 2014, legal expenses incurred for the Cases amounted to approximately HK$6 million. We were advised by the Directors that it was difficult to estimate the legal costs to be incurred from now up to the completion of trials given the uncertainty on the timing and conduct of the trials. Based on the best estimate that can be made by the Directors, it was estimated that the legal costs to be incurred for the Cases would be in the region of approximately HK$18 million to HK$23 million.

As at the Latest Practicable Date, in relation to the numerous legal proceedings in the PRC approximately RMB1.7 million has been paid by the joint venture partner to Janful as reimbursement of legal costs and expenses incurred by Janful, pursuant to an order of the relevant PRC arbitration authority. For the case of HCA 2345/2013, to the best knowledge and information of the Directors, Sinosoft Technology Group Ltd. has filed its Defence and the Company and Janful have filed their Reply to the Defence of Sinosoft Technology Group Ltd. on 30 July 2014. The other six defendants (with the exception of one) have filed their acknowledgement of service and advised the lawyers of the Company and Janful that they will take out applications to contest jurisdiction. However, no legal papers on such applications have been received by the Company and Janful so far. For the case of HCA No. 1613 of 2013, to the best knowledge and information of the Directors, Sinosoft Technology Group Ltd. has filed its Defence and the Company and Janful have also filed their Reply to Defence of Sinosoft Technology Group Ltd.. The other defendant of HCA No. 1613 of 2013, has filed her acknowledgement of service and advised the lawyers of the Company and Janful that she will take out applications to contest jurisdiction. However, no legal papers on such applications have been received by the Company and Janful so far.

The Directors consider that given the complexities of the Cases it is difficult to predict the outcomes of the Cases.

4.2 Principal terms of the Deed of Assignment

Pursuant to the Deed of Assignment, the Company, as assignor, shall assign to a company or companies in which Mr. Ng has an interest absolutely, among others, any and all of its rights, title, benefit, interest, liability, cost, damage and/or expenses as the plaintiff of the Cases. Upon completion of the Assignment, the Company shall be discharged as the plaintiff of the Cases.

Each of the Vendors and the Guarantor has given a post-completion undertaking to the Offeror under the Share Purchase Agreement that the Company shall have been withdrawn from the Cases within 2 months after Share Purchase Completion at the sole cost of the Vendors, otherwise the Offeror shall have the right to procure the withdrawal of the Company from the Cases.

4.3 Reasons for the Assignment

The genesis of the disputes in the Cases stem from a joint venture agreement entered into by Janful which will become an entity of the Disposal Group upon Disposal Completion. The documents, the evidence, the accounting records, etc in support of the Cases belong to Janful and the key witnesses and persons who have direct and personal knowledge of the Cases will be employees or officers of the Disposal Group and/or companies connected with the assignee(s). All these made the continuation of the Cases by the Company very difficult. On the other hand, Mr. Ng, as the beneficial owner of Tremendous Success, which is the purchaser in the Disposal, has genuine commercial interest in continuing as a plaintiff in the Cases. Mr. Ng also has personal knowledge of the background surrounding the entering into of the joint venture agreement.

We understand from the management of the Company that the Cases are under process and the assessment is uncertain at the moment. Before the commencement of the Cases in Hong Kong and since January 2005, there had been about 23 arbitrations/civil proceedings/applications for judicial reviews/appeals in the PRC. Janful had very little success in such proceedings. Although certain reimbursements of legal costs and expenses were ordered to be paid to Janful in an Arbitration Award dated 20 August 2008, Janful was only able to recover approximately RMB1.7 million of the legal costs and expenses in the PRC.

If the Company discontinues the Cases now, the Company will be penalised as to legal costs incurred by all the defendants in the Cases. In addition, given that the Cases involve substantial manpower and resources of the Group and may last for a long period of time while the outcomes are uncertain and the genesis of the dispute in the Cases stems from an agreement entered into by Janful, which will become an entity of the Disposal Group upon Disposal Completion, the Directors consider, and we concur with their view, that it is in the interests of the Company and the Shareholders as a whole to enter into the Deed of Assignment so that the Company can be discharged from the Cases and focus its manpower and resources on the operation and development of the Group.

4.4 Conclusion for the Assignment

Having regard to the factors mentioned above, we consider that the terms of the Deed of Assignment are on normal commercial terms and the Assignment, which constitutes a special deal, is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

5. THE SHAREHOLDERS' AGREEMENTS

Principal Factors and Reasons Considered

In arriving at our opinion regarding the terms of the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement, we have considered the following principal factors and reasons:

5.1 Information of New Holdco 2, Four Seas (BVI) and Tek Lee

New Holdco 2 is a company incorporated in the BVI with limited liability, being a Remaining Group Company and a direct wholly-owned subsidiary of the Company, which will hold 65% equity interest of Four Seas and 85% equity interest of King Link upon Disposal Completion.

Four Seas (BVI) is a company incorporated in the BVI with limited liability, which will hold 35% equity interest of Four Seas upon Disposal Completion while Tek Lee is a company incorporated in Hong Kong with limited liability, which will hold 15% equity interest of King Link upon Disposal Completion.

5.2 *Reasons for entering into the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement*

Upon Disposal Completion, Four Seas will be held as to 65% and 35% by New Holdco 2 and Four Seas (BVI) respectively while King Link will be held as to 85% and 15% by New Holdco 2 and Tek Lee respectively. In order to govern the shareholders' interest in Four Seas and Tek Lee, New Holdco 2 shall enter into (i) the Four Seas Shareholders' Agreement with Four Seas (BVI) and Four Seas; and (ii) the King Link Shareholders' Agreement with Tek Lee and King Link respectively at Disposal Completion.

Given that the shareholders' agreements shall lay the ground for governance of the relationships between New Holdco2 and Four Seas (BVI) and Tek Lee respectively, and safeguard their respective interest in Four Seas and Tek Lee, we consider that the entering into of the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement is in the interests of the Company and the Shareholders as a whole.

5.3 *Principal terms of the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement*

Pursuant to the respective shareholders' agreements, the business of Four Seas and King Link shall be managed by the board of directors of Four Seas and King Link respectively. Each of the board of directors of Four Seas and King Ling shall consist of five directors. New Holdco 2 shall have the right to appoint and remove up to three directors and Four Seas (BVI) shall have the right to appoint and remove up to two directors regarding the board of directors of Four Seas. For the board of directors of King Link, New Holdco 2 shall have the right to appoint and remove up to four directors and Four Seas (BVI) shall have the right to appoint and remove up to one director. The directors appointed by New Holdco 2 may elect one of their members to be the chairman of the board. Questions arising at any board meeting shall be decided by a majority of votes and in case of an equality of votes, the chairman shall not have a second or casting vote.

No actions shall be taken, and no resolutions shall be passed, by New Holdco 2, Four Seas (BVI) and Tek Lee (as the case may be) or the board of directors of Four Seas and King Link (as the case may be) in respect of certain reserved matters of Four Seas and King Link (as the case may be) as set out under the paragraph headed "Four Seas Shareholders' Agreement" in the Letter from the Board contained in the Circular without the unanimous prior written approval of New Holdco 2 and Four Seas (BVI) or Tek Lee (as the case may be).

Save where the other shareholders have given their prior written consent, no transfer of shares in Four Seas and King Link (or any interest therein) shall be made by either New Holdco 2 or Four Seas (BVI) and Tek Lee (as the case may be) within 27 months from the Share Purchase Completion Date except for any transfer of shares to the existing shareholders, and no transfer of shares in Four Seas and Tek

Lee (or any interest therein) shall be made by either New Holdco 2 or Four Seas (BVI) and Tek Lee (as the case may be) after the expiry of such 27 months unless in compliance with the procedures and provisions relating to the transfer of shares as set out in respective shareholders' agreement, a summary of which is set out under the paragraph headed "Four Seas Shareholders' Agreement" in the Letter from the Board contained in the Circular.

Having considered that (i) the number of directors to be appointed by New Holdco 2 shall be in proportion to its shareholding in Four Seas and King Ling; (ii) the interest of New Holdco2 will be adequately protected although the chairman shall not have a second or casting vote in case of any equality of votes as New Holdco2 shall retain a majority control of the board in terms of number of directors; and (iii) all parties to the shareholders' agreements shall be bound by the same terms of the shareholders' agreements in relation to share transfers, we are of the view that the terms of the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5.4 Conclusion for the shareholders' agreements

Having regard to the factors mentioned above, we consider that the terms of the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement are on normal commercial terms and the entering into of the Four Seas Shareholders' Agreement and the King Link Shareholders' Agreement are in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

6. SERVICE AGREEMENT

Principal Factors and Reasons Considered

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

6.1 Reasons for entering into the Service Agreement

Four Seas is principally engaged in the Travel Agent Business (Corporate) while HK Four Seas is principally engaged in the Travelling Services Business.

Prior to Disposal Completion and Share Purchase Completion, the Remaining Group and the Disposal Group belong to the same group of companies. Therefore, other than having its own staff team for the daily operation of the different business segment, certain back-office support such as computer systems, telecommunication systems and other office facilities are shared by the entire group of companies for convenience and economic reasons.

In order to enhance the smooth operation of the Travel Agent Business (Corporate) of Four Seas during the transitional period following Share Purchase Completion, Four Seas would like to continue to leverage on HK Four Seas' administrative and technical support services and information technology capacities so as to reduce the operating and administrative expenses. Meanwhile, in view of the long history of HK Four Seas in the travel industry in Hong Kong, Four Seas would like to continue the usage of HK Four Seas' trademarks and logos in order to enhance the market recognition of the Remaining Group. Therefore, the Company and Four Seas would like to enter into the Service Agreement to require HK Four Seas to continue to provide such services to the Remaining Group after Disposal Completion and Share Purchase Completion.

Given the good reputation of HK Four Seas in the travel industry in Hong Kong and the sharing of administrative and technical support services with HK Four Seas can minimize the operating and administrative expenses of Four Seas, the Directors consider, and we concur with their view, that the entering into of the Service Agreement shall enable the Remaining Group to simplify and take advantage of services readily available to be provided by HK Four Seas at a reasonable cost and is in the interests of the Company and the Shareholders as a whole.

6.2 Principal terms of the Service Agreement

Pursuant to the Service Agreement, HK Four Seas shall be appointed as the service provider to provide the following services to Four Seas at a monthly fee of HK$100,000 for a term of three years commencing on the Share Purchase Completion Date:

(i) provision of information technology and administrative resources and services including but not limited to the use of telephone system with designated phone numbers, email addresses, carrier reservation systems, mid- and back-office system, and webpage design and maintenance;

(ii) provision of necessary hardware including computers, computer hardware and software systems and the necessary maintenance for such hardware and software provided;

(iii) licensing of such trademarks owned by HK Four Seas to be used by Four Seas;

(iv) purchasing of air tickets from airline companies through IATA and other agencies, which will then be sold to Four Seas on normal commercial terms; and

(v) such other back-office support services and technical support services necessary to support the smooth operation of Four Seas.

The service fee of HK$100,000 per month was arrived at after arm's length negotiations between the parties to the Service Agreement, taking into account the extent of services required and the estimated costs for HK Four Seas to provide such services to Four Seas.

We understand from the management of the Company that no such services have been provided by any independent third party to Four Seas in the past. As such, we are not able to compare the terms offered by HK Four Seas and other independent third parties. However, we have discussed with the management of the Company and were advised that the monthly service fee of HK$100,000 was determined with reference to the actual amount of overheads shared by Four Seas, including telecommunication, software of airlines reservation and hardware and software system for the year ended 31 December 2013 based on the number of headcount of Four Seas and the estimated cost for Four Seas to maintain its own email domain and website. We have reviewed the calculation of the overheads shared by Four Seas for the year ended 31 December 2013 and noted that the expenses are properly apportioned between Four Seas and HK Four Seas and are commensurate with their respective headcounts.

No specific terms regarding the sale of air tickets from HK Four Seas to Four Seas are included in the Service Agreement. However, it is stated in the Service Agreement that the transactions of sale of air tickets from HK Four Seas to Four Seas should be conducted on normal commercial terms.

We were advised by the management of the Company that standard procedures are followed by Four Seas in selection of suppliers of air tickets. We have reviewed the written procedures and noted that the sales team of Four Seas obtained from each of the major wholesalers of air tickets, including HK Four Seas, a fare sheet, which lists out the price and discount of air tickets of various airlines offered to the agents, periodically for comparison purposes. Such pricing information is also available in most of the wholesalers' websites for restricted access by the authorized agents. Four Seas selects the best offer by comparing the prices and credit terms offered by the wholesalers, and negotiates the detailed transaction terms with the relevant wholesaler. The management of the Company confirmed us that the air ticket sale transactions conducted between HK Four Seas and Four Seas were and would be conducted in the ordinary and usual course of business of the Group in accordance with the aforementioned procedures and the terms of such transactions were and would continue to be determined on normal commercial terms.

We understand from the management of the Company that a mark-up of certain percentage on gross sale of air tickets are charged by HK Four Seas as agency fee to its customers. The percentage of mark-ups depends on various factors such as the projected transaction amount, credit period requested by the agent and other factors such as special promotion and potential for business strategies with such agent. We have reviewed the summary of mark-ups charged by HK Four Seas for the year ended 31 December 2013 and noted that the mark-ups to other independent travel agents were in the range of 0% and 26.3% with an average mark-up of approximately 0.8% (excluding the occasional discounts offered to the agents) while zero mark-up was charged by HK Four Seas for all the sale transactions made with Four Seas. We also noted that the terms of sale offered by HK Four Seas to Four Seas are no less favorable than those available to independent third parties.

Having reviewed samples of the historical transactions conducted between HK Four Seas and Four Seas and the comparison of the percentage of mark-up charged by HK Four Seas to Four Seas and independent third parties, we are of the view that the air ticket sale transactions between HK Four Seas and Four Seas were conducted in the ordinary and usual course of business of the Group and such transactions were carried out on normal commercial terms. With the Company's commitment for compliance with the aforementioned procedures in air ticket procurement, we believe that the terms of the air ticket sale transactions to be carried out between HK Four Seas and Four Seas in the future would also be on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned if the same pricing and supplier selection principles as well as internal control procedures are consistently applied by the management of Four Seas in determining the terms of such transactions.

Based on the above, we are of the view that the terms of the Service Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6.3 Basis of the annual caps

The proposed annual caps (the "Annual Caps") in respect of the fees payable by Four Seas to HK Four Seas under the Service Agreement are summarized as follows:

	For the period from 1 September 2014 to 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016	For the period from 1 January 2017 to 31 August 2017	Annualized compound annual growth rate
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Service fee	400	1,200	1,200	800	–
Agency fee	1,920	6,090	6,460	4,560	6.0
Annual Caps	2,320	7,290	7,660	5,360	5.0

To assess whether the basis of the Annual Caps are fair and reasonable, we have reviewed and discussed with the management of the Company in relation to the basis and assumptions made in determining the Annual Caps and were advised by the management of the Company that the Annual Caps were determined based on (i) the fixed monthly service fee of HK$100,000, which was determined with reference to the actual amount of overheads shared by Four Seas for the year ended 31 December 2013; and (ii) the agency fee payable by Four Seas to HK Four Seas for the sales of air tickets by HK Four Seas to Four Seas, which was determined with reference to the estimated gross purchase from HK Four Seas, taking into account the historical transaction amount of sales of air tickets by HK Four Seas to Four Seas and an annual growth rate of 6% for the relevant period, and a mark-up of 1.5% on gross purchase as agency fee.

We noted that the gross purchases of air tickets from HK Four Seas were estimated with an annual growth rate of 6%, which was determined with reference to the historical growth rate of the gross purchase from HK Four Seas. We have reviewed the historical gross purchase amount and noted that the compound annual growth rate of the gross purchase from HK Four Seas for the year ended 31 December 2011 to the year ended 31 December 2013 was approximately 5.4%, which is similar to the annual growth rate of 6% adopted in estimating the Annual Caps. According to the annual report of the Travel Industry Council of Hong Kong for the year ended 30 June 2013 issued on 18 October 2013, the outbound air ticket sales grew by approximately 7.3% for the nine months ended 30 September 2013 as compared to the last corresponding period. Based on the above, we consider that the adoption of 6% as the annual growth rate for the gross purchase of air tickets from HK Four Seas is fair and reasonable so far as the Independent Shareholders are concerned.

We also noted that a mark-up of 1.5% on the gross purchase from HK Four Seas is adopted in estimating the agency fee. We understanding from the management of the Company that different mark-ups are applied for various agents and HK Four Seas would consider various factors such as the projected transaction amount, credit period requested by the agent and other factors (for example, special promotion and potential for business strategies) in determination of the mark-ups. In general, HK Four Seas imposes a higher mark-up on small customers and a lower mark-up on large customers. Higher mark-ups are also charged to customers with longer credit periods. Meanwhile, discounts may sometimes be offered to travel agents in order to achieve a sales target that can exceed the minimum target set by the airline companies and to enjoy the backend commission. We have reviewed the summary of mark-ups charged by HK Four Seas to the general agents for the year ended 31 December 2013 and noted that the mark-ups were in the range of 0% and 26.3% with an average mark-up of approximately 0.8% (excluding the occasional discounts offered to the agents). We were advised by the management of the Company that as Four Seas may request for a longer credit term (say, over 60 days), the mark-up adopted in estimating the agency fee is expected to be higher than the average mark-up of 0.8% charged to general agents with shorter credit terms, in general, in the range of 15 days to 22 days. Given that the mark-up adopted in calculating the Annual Caps falls within the mark-up charged by HK Four Seas to other independent agents for the year ended 31 December 2013, we consider that the mark-up of 1.5% adopted in calculating the Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the abovementioned factors, we are of the view that the Annual Caps proposed by the Company are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6.4 Conclusion for the Service Agreement

Having regard to the factors mentioned above, we consider that the terms of the Service Agreement are on normal commercial terms and the entering into of the Service Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

7. OVERALL RECOMMENDATION

Having considered the factors detailed in the previous sections, we are of the view that the Connected Transactions are conducted in the ordinary and usual course of business of the Company and the terms of the Special Deals and the Connected Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. As such, we recommend the Independent Board Committees to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favor of the resolutions to be proposed at the EGM approving the Special Deals and the Connected Transactions.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

Notes:

1. 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.

2. Ms. Amilia Tsang is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 15 years of experience in corporate finance, investment and corporate management.

FINANCIAL INFORMATION OF THE GROUP

Details of the published financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 were disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.sctrade.com).

- Annual report of the Company for the year ended 31 December 2013 published on 29 April 2014 (pages 24 to 104);
- Annual report of the Company for the year ended 31 December 2012 published on 29 April 2013 (pages 22 to 108); and
- Annual report of the Company for the year ended 31 December 2011 published on 26 April 2012 (pages 21 to 98).

1. 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 Purchaser, 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.

2. WORKING CAPITAL

The Directors are of the opinion that taking into account the financial resources available to the Remaining Group, including internally generated funds and the available banking facilities, the Disposal Consideration to be received, the Special Dividend and barring any unforeseen circumstances, the Remaining Group will have sufficient working capital for at least twelve months from the date of the Circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below are the management discussion and analysis of the results of the Remaining Group for each of the three years ended 31 December 2013 and the four months ended 30 April 2014 which have been extracted from the tables set out on pages I-4, I-8, I-11 and I-15 of Appendix I, and compiled from the financial information extracted from annual reports of the Group and appendix II to this Circular. The financial information of the Remaining Group compiled in the aforesaid tables and summarised below represents the results of the Remaining Group and have not excluded the non-controlling interests of the Remaining Business Companies which are retained by the Disposal Group.

Summary of results of the Remaining Group

	For the year ended			For the four months ended
	31 December 2011	31 December 2012	31 December 2013	30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	58,139	61,295	88,451	28,316
Gross profit	12,435	13,296	14,574	11,236
Profit/(loss) before tax	(17,535)	7,818	12,807	(8,016)

(a) For the four months ended 30 April 2014

	Results of the Group	Less: results of South China (BVI) Group	Results of Remaining Business Companies				Results of the Remaining Group
			King Link	Four Seas	Worldunity	Sub total	
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	54,033	(54,033)	20,534	7,782	–	28,316	28,316
Cost of sales	(19,117)	19,117	(17,080)	–	–	(17,080)	(17,080)
Gross profit	34,916	(34,916)	3,454	7,782	–	11,236	11,236
Other income	1,249	(1,249)	118	87	–	205	205
Fair value loss on financial assets at fair value through profit or loss	(8,802)	8,802	–	–	(8,802)	(8,802)	(8,802)
Selling and distribution expenses	(2,380)	2,380	(2,375)	–	–	(2,375)	(2,375)
Administrative expenses	(38,988)	38,988	(1,118)	(6,784)	–	(7,902)	(7,902)
Other operating expenses, net	(759)	759	–	–	–	–	–
Profit/(loss) from operations	(14,764)	14,764	79	1,085	(8,802)	(7,638)	(7,638)
Finance costs	(1,559)	1,559	(378)	–	–	(378)	(378)
Profit/(loss) before tax	(16,323)	16,323	(299)	1,085	(8,802)	(8,016)	(8,016)

The results of the Group are extracted from the consolidated management accounts of the Group for the four months ended 30 April 2014. The results of the South China (BVI) Group and the Remaining Business Companies for the four months ended 30 April 2014 are extracted from Appendix II to the Circular which had been reviewed by the reporting accountants of the Company. The loss before tax of the Remaining Group for the four months ended 30 April 2014 was also reported on by the reporting accountants of the Company and the Independent Financial Adviser under Rule 10 of the Takeovers Code.

Operating results

The Remaining Group recorded a revenue of approximately HK$28.3 million and loss before tax of approximately HK$8.0 million for the four months ended 30 April 2014. As compared to the corresponding period in 2013, a revenue decreased by approximately 19.2% and the results turned from a profit before tax of approximately HK$3.0 million in the corresponding period in 2013 to a loss before tax of approximately HK$8.0 million for the same period in 2014. The change in financial result was mainly attributable to the fair value loss of approximately HK$8.8 million on financial assets at fair value through profit or loss recorded for the four months ended 30 April 2014 while a fair value gain of approximately HK$1.9 million was recorded for the corresponding period in 2013. The selling and distribution expenses and administrative expenses of the Remaining Group for the four months ended

30 April 2014 amounted to approximately HK$2.4 million and HK$7.9 million respectively, representing a slight decrease by approximately 4.0% and increase by approximately 683% respectively as compared to corresponding period in 2013.

Business review

During the period under review, the principal businesses of the Remaining Group include the Travel Agent Business (Corporate) and the Jewellery Business.

Travel Agent Business (Corporate)

For the four months ended 30 April 2014, revenue and reported operating profit from the Travel Agent Business (Corporate) amounted to HK$7.8 million and HK$1.1 million respectively. The revenue and reported operating profit of the Travel Agent Business (Corporate) decreased by approximately 29.9% and 75.4% respectively, as compared to the corresponding period in 2013.

Year 2014 continues to be a year of economic uncertainties and corporate clients keep reducing their travel costs and remaining cautious in their business travel spending. 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.

Jewellery Business

The Jewellery Business segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in its flagship store and counters of large department stores in Nanjing. During the four months ended 30 April 2014, the demand for gold products was decreased and the revenue recorded a drop. For the four months ended 30 April 2014, the segment recorded an approximate 41.4% decrease in revenue to HK$20.5 million (2013: HK$35.0 million) and profit from operations was approximately HK$0.08 million (2013: HK$1.7 million). The drop in revenue has attributable to the high demand for gold products driven by the slide of the international gold price in 2013 which did not sustain in the four months ended 30 April 2014. The gross margin ratio increased from 14.3% for the four months ended 30 April 2013 to 16.8% for the four months ended 30 April 2014. As a result, the Jewellery Business segment recorded a drop in business performance.

Treasury policies

The Remaining Group's operations and investments continue to be financed by its internal resources and bank borrowings. All financing methods will be considered so long as such methods are suitable and beneficial to the Remaining Group. Cash and bank deposits of the Remaining Group are in HK$ and RMB.

Liquidity and financial resources

As at 30 April 2014, the Remaining Group had total borrowings of approximately HK$16.1 million (31 December 2013: HK$16.1 million), which were denominated in RMB. The borrowings include other borrowings of approximately HK$8.4 million (31 December 2013: HK$8.4 million) which were interest-bearing at 7% per annum (31 December 2013: 7% per annum) and bank borrowings of approximately HK$7.7 million (31 December 2013: HK$7.7 million) which were interest-bearing at floating rates with reference to the People's Bank of China benchmark rate.

As at 30 April 2014, the Remaining Group's cash and bank balances amounted to approximately HK$3.8 million (31 December 2013: HK$1.5 million). As at 30 April 2014, the Remaining Group had a current ratio of 1.41 and a gearing ratio of 5.3% (31 December 2013: 1.55 and 14.1% respectively). The gearing ratio was computed by the Remaining Group's net debt divided by capital plus net debt.

Foreign exchange exposure

As at 30 April 2014, the Remaining Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges (31 December 2013: Nil).

Pledge of assets

As at 30 April 2014, certain inventories and other receivables of the Remaining Group which had an aggregate carrying value of approximately HK$8.3 million (31 December 2013: HK$8.4 million) were pledged to secure for banking facilities.

Capital commitments and contingent liabilities

As at 30 April 2014, the Remaining Group had no material capital commitments (31 December 2013: Nil). As at 30 April 2014, the Remaining Group had no material contingent liabilities (31 December 2013: Nil).

Employees and remuneration policy

As at 30 April 2014, the total number of employees of the Remaining Group was 138 (31 December 2013: 131). Employees' cost (including directors' emoluments) amounted to approximately HK$2.6 million for the period (30 April 2013: approximately HK$2.7 million).

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

Significant investments

The Remaining Group held some remaining shares and warrants of South China (China) Limited ("SCC") after distribution in specie of the shares and warrants of SCC to the Company's shareholders in June 2009. In July 2009, the Group exercised the warrants of SCC held which were then converted to the shares of SCC. In August 2009, SCC paid a special dividend for its entire interest in South China Land Limited ("SCL") to its shareholders by means of distribution in specie. During the period, shares of SCL recorded a fair value loss of approximately HK$8.8 million on financial assets at fair value through profit or loss in profit or loss and shares of SCC recorded a fair value loss of approximately HK$7.7 million on available-for-sale financial assets in the consolidated statement of comprehensive income.

Material acquisitions and disposal of subsidiaries and associates

During the period ended 30 April 2014, the Remaining Group did not have any material acquisition and disposal of subsidiaries and associates.

Future plans for material investments or capital assets

For the four months ended 30 April 2014, the Remaining Group did not have any future plans for material investments or capital assets.

(b) For the year ended 31 December 2013

			Results of Remaining Business Companies				
	Results of the Group	Less: results of South China (BVI) Group	King Link Group	Four Seas	Worldunity	Sub total	Results of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	200,556	(200,556)	86,037	2,414	–	88,451	88,451
Cost of sales	(77,110)	77,110	(73,877)	–	–	(73,877)	(73,877)
Gross profit	123,446	(123,446)	12,160	2,414	–	14,574	14,574
Other income	6,462	(6,462)	631	–	–	631	631
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)	–	–	11,182	11,182	11,182
Selling and distribution expenses	(7,509)	7,509	(7,482)	–	–	(7,482)	(7,482)
Administrative expenses	(100,055)	99,977	(3,249)	(1,505)	–	(4,754)	(4,832)
Other operating expenses, net	(1,444)	1,444	–	–	–	–	–
Profit from operations	32,523	(32,601)	2,060	909	11,182	14,151	14,073
Finance costs	(5,117)	5,117	(1,266)	–	–	(1,266)	(1,266)
Profit before tax	27,406	(27,484)	794	909	11,182	12,885	12,807

The results of the Group are extracted from the annual report of the Group for the year ended 31 December 2013. The results of the South China (BVI) Group and the Remaining Business Companies for the year ended 31 December 2013 are extracted from Appendix II to the Circular which had been reviewed by the reporting accountants of the Company. The profit before tax of the Remaining Group for the year ended 31 December 2013 was also reported on by the reporting accountants of the Company and the Independent Financial Adviser under Rule 10 of the Takeovers Code.

Operating results

The Remaining Group recorded a revenue of approximately HK$88.5 million and a profit before tax of approximately HK$12.8 million for the year ended 31 December 2013, representing an increase by approximately 44.3% and 63.8% respectively as compared to 2012. The improvement on financial result was mainly attributable to the better performance by the Travel Agent Business (Corporate) segment and the increase in fair value gain on financial assets at fair value through profit or loss for the year ended 31 December 2013. The selling and distribution expenses and administrative expenses of the Remaining Group for the year ended 31 December 2013 amounted to approximately HK$7.5 million and approximately HK$4.8 million respectively, representing an increase by approximately 2.5% and 54.8% respectively as compared to 2012. The increase in administrative expenses was mainly attributable to the increase in Travel Agent Business (Corporate) conducted by Four Seas during the year ended 31 December 2013.

Business review

During the year under review, the principal businesses of the Remaining Group include the Travel Agent Business (Corporate) and the Jewellery Business.

Travel Agent Business (Corporate)

	Four Seas	**Results of Travel Agent Business (Corporate) included in HK Four Seas**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	2,414	35,336	37,750
Other income	–	393	393
Administrative expenses	(1,505)	(21,070)	(22,575)
Operating profit	909	14,659	15,568

Prior to the internal reorganisation which took place on 15 October 2013, the Travel Agent Business (Corporate) was mainly conducted by HK Four Seas. For the year ended 31 December 2013, the total revenue and reported operating profit of the Travel Agent Business (Corporate) that will continue to be conducted by the Remaining Group, amounted to approximately HK$37.8 million and HK$15.6 million respectively. The historical revenue and reported operating profit for the year ended 31 December 2013, included the results from HK Four Seas which forms part of the Disposal Group, increased by approximately 14.1% and 33.1% respectively, as compared to 2012.

Four Seas recorded revenue and reported operating profit amounted to approximately HK$2.4 million and HK$0.9 million respectively for the year ended 31 December 2013, representing increase by approximately 987% and 391% respectively as compared to 2012.

Year 2013 was a year of economic uncertainties and corporate clients reduced their travel costs and remained cautious in their business travel spending. Despite the impact, Four Seas' business grew steadily in 2013.

Jewellery Business

The Jewellery Business segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in its flagship store and counters of large department stores in Nanjing. Counters of large department stores in Maanshan were closed during the year due to unsatisfactory number of visitors visiting the department stores notwithstanding the increase in demand for gold in general. During the year ended 31 December 2013, the demand for gold products was boosted by the slide of the international gold price and the revenue recorded a significant growth despite that the total growth was diluted by the decrease in gross margin. The segment recorded an approximate 40.5% increase in revenue to approximately HK$86.0 million (2012: HK$61.1 million) and profit from operations was approximately HK$2.1 million (2012: HK$3.3 million). The drop in profit from operations was largely attributable to the decrease in gross margin ratio which outweighed the contribution from revenue growth. The gross margin ratio decreased from 21.4% for the year ended 31 December 2012 to 14.1% for the year ended 31 December 2013. As a result, the Jewellery Business segment recorded a slight drop in business performance.

Treasury policies

The Remaining Group's operations and investments continue to be financed by its internal resources and bank borrowings. All financing methods will be considered so long as such methods are suitable and beneficial to the Remaining Group. Cash and bank deposits of the Remaining Group are in HK$ and RMB.

Liquidity and financial resources

As at 31 December 2013, the Remaining Group had total borrowings of approximately HK$16.1 million (2012: HK$17.4 million), which were denominated in RMB. The borrowings include other borrowings of approximately HK$8.4 million (2012: HK$7.5 million) which were interest-bearing at 7% per annum (2012: 7% per annum) and bank borrowings of approximately HK$7.7 million (2012: HK$9.9 million) which were interest-bearing at floating rates with reference to the People's Bank of China benchmark rate.

As at 31 December 2013, the Remaining Group's cash and bank balances amounted to approximately HK$1.5 million (31 December 2012: HK$2.2 million). As at 31 December 2013, the Remaining Group had a current ratio of 1.55 and a gearing ratio of 14.1% (31 December 2012: 1.37 and 17.5% respectively). The gearing ratio was computed by the Remaining Group's net debt divided by capital plus net debt.

Foreign exchange exposure

As at 31 December 2013, the Remaining Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

Pledge of assets

As at 31 December 2013, certain inventories and other receivables of the Remaining Group which had an aggregate carrying value of approximately HK$8.4 million (31 December 2012: HK$8.6 million) were pledged to secure for banking facilities.

Capital commitments and contingent liabilities

As at 31 December 2013, the Remaining Group had no material capital commitments (13 December 2012: Nil). As at 31 December 2013, the Remaining Group had no material contingent liabilities (31 December 2012: Nil).

Employees and remuneration policy

As at 31 December 2013, the total number of employees of the Remaining Group was 131 (31 December 2012: 134). Employees' cost (including directors' emoluments) amounted to approximately HK$20.9 million for the year (31 December 2012: approximately HK$18.9 million).

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

Significant investments

The Remaining Group held some remaining shares and warrants of SCC after distribution in specie of the shares and warrants of SCC to the Company's shareholders in June 2009. In July 2009, the Group exercised the warrants of SCC held which were then converted to shares of SCC . In August 2009, SCC paid a special dividend for its entire interest in SCL to its shareholders by means of distribution in specie. During the year, shares of SCL recorded a fair value gain of approximately HK$11.2 million on financial assets at fair value through profit or loss in profit or loss and shares of SCC recorded a fair value gain of approximately HK$3.8 million on available-for-sale financial assets in the consolidated statement of comprehensive income.

Material acquisitions and disposals of subsidiaries and associates

During the year ended 31 December 2013, the Remaining Group did not have any material acquisition and disposal of subsidiaries and associates.

Future plans for material investments or capital assets

For the year ended 31 December 2013, the Remaining Group did not have any future plans for material investments or capital assets.

(c) For the year ended 31 December 2012

			Results of Remaining Business Companies				
	Results of the Group	Less: results of South China (BVI) Group	King Link Group	Four Seas	Worldunity	Sub total	Results of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	164,169	(164,169)	61,073	222	–	61,295	61,295
Cost of sales	(50,267)	50,267	(47,999)	–	–	(47,999)	(47,999)
Gross profit	113,902	(113,902)	13,074	222	–	13,296	13,296
Other income	3,894	(3,894)	493	–	–	493	493
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)	–	–	6,185	6,185	6,185
Selling and distribution expenses	(7,332)	7,332	(7,302)	–	–	(7,302)	(7,302)
Administrative expenses	(85,766)	85,687	(3,005)	(37)	–	(3,042)	(3,121)
Other operating expenses, net	(387)	387	(4)	–	–	(4)	(4)
Profit from operations	31,102	(31,181)	3,256	185	6,185	9,626	9,547
Finance costs	(7,095)	7,095	(1,729)	–	–	(1,729)	(1,729)
Profit before tax	24,007	(24,086)	1,527	185	6,185	7,897	7,818

The results of the Group are extracted from the annual report of the Group for the year ended 31 December 2012. The results of the South China (BVI) Group and the Remaining Business Companies for the year ended 31 December 2012 are extracted from Appendix II to the Circular which had been reviewed by the reporting accountants of the Company. The profit before tax of the Remaining Group for the year ended 31 December 2012 was also reported on by the reporting accountants of the Company and the Independent Financial Adviser under Rule 10 of the Takeovers Code.

Operating results

The Remaining Group recorded a revenue of approximately HK$61.3 million and a profit before tax of approximately HK$7.8 million for the year ended 31 December 2012. As compared to 2011, the revenue increased by approximately 5.4% and the results turned from a loss before tax of approximately HK$17.5 million in 2011 to a profit before tax of approximately HK$7.8 million in 2012. The improvement on financial result was mainly attributable to the better performance by the Jewellery Business for the year ended 31 December 2012. The selling and distribution expenses and administrative expenses for the year ended 31 December 2012 amounted to approximately HK$7.3 million and HK$3.1 million respectively, representing a slight increase by approximately 6.5% and 7.4% respectively as compared to 2011.

Business review

During the year under review, the principal businesses of the Remaining Group include the Travel Agent Business (Corporate) and the Jewellery Business.

Travel Agent Business (Corporate)

	Four Seas	**Results of Travel Agent Business (Corporate) included in HK Four Seas**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	222	32,862	33,084
Other income	–	46	46
Administrative expenses	(37)	(21,399)	(21,436)
Operating profit	185	11,509	11,694

Prior to the internal reorganisation which took place on 15 October 2013, the Travel Agent Business (Corporate) was mainly conducted by HK Four Seas. For the year ended 31 December 2012, the total revenue and reported operating profit of the Travel Agent Business (Corporate) that will continue to be conducted by the Remaining Group, amounted to approximately HK$33.1 million and HK$11.7 million respectively. The historical revenue and reported operating profit for the year ended 31 December 2012, included the results from HK Four Seas which forms part of the Disposal Group, increased by approximately 12.5% and 31.5% respectively, as compared to 2011.

Four Seas recorded revenue and reported operating profit amounted to approximately HK$0.2 million and HK$0.2 million respectively for the year ended 31 December 2012, representing an increase by approximately 31.4% and 36.0% respectively as compared to 2011.

Year 2012 has a year of economic turbulences, corporate clients tightened their cost and remained cautious in their business travel spending. Although facing the impact of a weak economic environment, business conducted in Hong Kong remained steady in 2012 and recorded a 2.9% growth in revenue as compared to 2011.

Jewellery Business

The trading and manufacturing segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in its flagship store in Nanjing and counters of large department stores in Nanjing and Maanshan. The segment recorded an approximate 5.4% increase in revenue to approximately HK$61.1 million (31 December 2011: HK$58.0 million) and an approximate 2.3% increase in profit from operations to approximately HK$3.3 million (31 December 2011: HK$3.2 million). The segment's performance remained steady in 2012.

Treasury policies

The Remaining Group's operations and investments continue to be financed by its internal resources and bank borrowings. All financing methods will be considered so long as such methods are suitable and beneficial to the Remaining Group. Cash and bank deposits of the Remaining Group are in HK$ and RMB.

Liquidity and financial resources

As at 31 December 2012, the Remaining Group had total borrowings of approximately HK$17.4 million (31 December 2011: HK$20.4 million), which were denominated in RMB. The borrowings include other borrowings of approximately HK$7.5 million (31 December 2011: HK$4.4 million) which were interest-bearing at 7% per annum (31 December 2011: 6%–7% per annum) and bank borrowings of approximately HK$9.9 million (31 December 2011: HK$16.0 million) which were interest-bearing at floating rates with reference to the People's Bank of China benchmark rate.

The Remaining Group's cash and bank balances amounted to approximately HK$2.2 million (31 December 2011: HK$1.9 million). As at 31 December 2012, the Remaining Group had a current ratio of 1.37 and a gearing ratio of 17.5% (2011: 1.24 and 27.2% respectively). The gearing ratio was computed by the Remaining Group's net debt divided by capital plus net debt.

Foreign exchange exposure

As at 31 December 2012, the Remaining Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

Pledge of assets

As at 31 December 2012, certain inventories of the Remaining Group which had an aggregate carrying value of approximately HK$8.6 million (31 December 2011: HK$28.2 million) were pledged to secure for banking facilities.

Capital commitments and contingent liabilities

As at 31 December 2012, the Remaining Group had no material capital commitments (31 December 2011: Nil). As at 31 December 2012, the Remaining Group had no material contingent liabilities (31 December 2011: Nil).

Employees and remuneration policy

As at 31 December 2012, the total number of employees of the Remaining Group was 134 (31 December 2011: 145). Employees' cost (including directors' emoluments) amounted to approximately HK$18.9 million for the year (31 December 2011: approximately HK$18.0 million).

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

Significant investments

The Remaining Group held some remaining shares and warrants of SCC after distribution in specie of the shares and warrants of SCC to the Company's shareholders in June 2009. In July 2009, the Group exercised the warrants of SCC held which were then converted to the shares of SCC. In August 2009, SCC paid a special dividend for its entire interest in SCL to its shareholders by means of distribution in specie. During the year, shares of SCL recorded a fair value gain of approximately HK$6.2 million on financial assets at fair value through profit or loss in the consolidated income statement and shares of SCC recorded a fair value gain of approximately HK$15.4 million on available-for-sale financial assets in the consolidated statement of comprehensive income.

Material acquisitions and disposals of subsidiaries and associates

During the year ended 31 December 2012, the Remaining Group did not have any material acquisition and disposal of subsidiaries and associates.

Future plans for material investments or capital Assets

For the year ended 31 December 2012, the Remaining Group did not have any future plans for material investments or capital assets.

(d) For the year ended 31 December 2011

	Results of the Group	Less: results of South China (BVI) Group	Results of Remaining Business Companies: King Link Group	Four Seas	Worldunity	Sub total	Results of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	152,271	(152,271)	57,970	169	–	58,139	58,139
Cost of sales	(47,962)	47,962	(45,704)	–	–	(45,704)	(45,704)
Gross profit	104,309	(104,309)	12,266	169	–	12,435	12,435
Other income	10,323	(10,323)	569	–	641	1,210	1,210
Fair value gain on investment properties	12,800	(12,800)	–	–	–	–	–
Fair value loss on financial assets at fair value through profit or loss	(20,043)	20,043	–	–	(19,744)	(19,744)	(19,744)
Selling and distribution expenses	(6,935)	6,935	(6,857)	–	–	(6,857)	(6,857)
Administrative expenses	(88,913)	88,828	(2,787)	(33)	–	(2,820)	(2,905)
Other operating expenses, net	(5,368)	5,368	(8)	–	–	(8)	(8)
Profit/(loss) from operations	6,173	(6,258)	3,183	136	(19,103)	(15,784)	(15,869)
Finance costs	(6,645)	6,645	(1,666)	–	–	(1,666)	(1,666)
Profit/(loss) before tax	(472)	387	1,517	136	(19,103)	(17,450)	(17,535)

The results of the Group are extracted from the annual report of the Group for the year ended 31 December 2011. The results of the South China (BVI) Group and the Remaining Business Companies for the year ended 31 December 2011 are extracted from Appendix II to the Circular which had been reviewed by the reporting accountants of the Company. The loss before tax of the Remaining Group was also reported on by the reporting accountants of the Company and the Independent Financial Adviser under Rule 10 of the Takeovers Code.

Operating results

The Remaining Group recorded a revenue of approximately HK$58.1 million and a loss before tax of approximately HK$17.5 million for the year ended 31 December 2011. As compared to 2010, the revenue increased by approximately 79.2% due to the increase in revenue from the Jewellery Business. The selling and distribution expenses and administrative expenses for the year ended 31 December 2011 amounted to approximately HK$6.9 million and HK$2.8 million respectively, representing an increase by approximately 16.8% and decrease by approximately 53.5% respectively as compared to 2010.

Business review

During the year under review, the principal businesses of the Remaining Group include travel related and jewellery business.

Travel Agent Business (Corporate)

	Four Seas	Results of Travel Agent Business (Corporate) included in HK Four Seas	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	169	37,620	37,789
Other income	–	61	61
Administrative expenses	(33)	(20,744)	(20,777)
Operating profit	136	16,937	17,073

Prior to the internal reorganisation which took place on 15 October 2013, the Travel Agent Business (Corporate) was mainly conducted by HK Four Seas. For the year ended 31 December 2011, the total revenue and reported operating profit of the Travel Agent Business (Corporate) that will continue to be conducted by the Remaining Group, amounted to approximately HK$37.8 million and HK$17.1 million respectively. The historical revenue and reported operating profit for the year ended 31 December 2011, included the results from HK Four Seas which forms part of the Disposal Group, increased by approximately 20.6% and 33.7% respectively, as compared to 2010.

Four Seas recorded revenue and reported operating profit amounted to approximately HK$0.2 million and HK$0.1 million respectively for the year ended 31 December 2011, representing an increase approximately by 9.7% and 13.3% respectively as compared to 2010.

As compared to 2010, the revenue was boosted by the increase in business travel in 2011. As corporate clients continued to seek high quality services, Four Seas had been able to increase its market share in the past few years. The enlarged global corporate client base enabled Four Seas to expand MICE (Meetings, Incentives, Conferences and Exhibitions) operation in the past years.

Jewellery Business

In addition to the distribution and sale of jewellery products such as precious stones, jade, gold and silver in its flagship store in Nanjing and counters of large department stores in Nanjing and Maanshan, its manufacturing operation is located in Nanjing and is engaged in the production of jewellery. The Jewellery Business recorded an approximate 79.7% increase in revenue to approximately HK$58.0 million (31 December 2010: HK$32.3 million) and an approximate 125.6% increase in profit from operations to approximately HK$3.2 million (31 December 2010: HK$1.4 million). During the year, we had closed non-profitable counters and opened new counters in department stores in Maanshan.

Treasury policies

The Remaining Group's operations and investments continue to be financed by its internal resources and bank borrowings. All financing methods will be considered so long as such methods are suitable and beneficial to the Remaining Group. Cash and bank deposits of the Remaining Group are in HK$ and RMB.

Liquidity and financial resources

As at 31 December 2011, the Remaining Group had total borrowings of approximately HK$20.4 million (31 December 2010: HK$16.9 million), which were denominated in RMB. The borrowings include other borrowings of approximately HK$4.4 million (31 December 2010: HK$2.8 million) which were interest-bearing at 6%–7% per annum (2010: 6% per annum) and bank borrowings of approximately HK$16.0 million (31 December 2010: HK$14.1 million) which were interest-bearing at floating rates with reference to the People's Bank of China benchmark rate.

The Remaining Group's cash and bank balances amounted to approximately HK$1.9 million (31 December 2010: HK$1.1 million). As at 31 December 2011, the Remaining Group had a current ratio of 1.24 (31 December 2010: 1.29) and a gearing ratio of 27.2% (2010: 18.3%) and the Remaining Group had no borrowings as of 31 December 2010. The gearing ratio was computed by the Remaining Group's net debt divided by capital plus net debt.

Foreign exchange exposure

As at 31 December 2011, the Remaining Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

Pledge of assets

As at 31 December 2011, certain approximately inventories of the Remaining Group which had an aggregate carrying value of approximately HK$28.2 million (31 December 2010: HK$20.9 million) were pledged to secure for banking facilities.

Capital commitments and contingent liabilities

As at 31 December 2011, the Remaining Group had no material capital commitments (31 December 2010: Nil). As at 31 December 2011, the Remaining Group had no material contingent liabilities (31 December 2010: Nil).

Employees and remuneration policy

As at 31 December 2011, the total number of employees of the Remaining Group for continuing operations was 145 (31 December 2010: 138). Employees' cost (including directors' emoluments) amounted to approximately HK$18.0 million for the year (31 December 2010: approximately HK$16.2 million).

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

Significant investments

The Remaining Group held some remaining shares and warrants of SCC after distribution in specie of the shares and warrants of SCC to the Company's shareholders in June 2009. In July 2009, the Group exercised the the warrants of SCC held which were then converted to the shares of SCC. In August 2009, SCC paid a special dividend for its entire interest in SCL to its shareholders by means of distribution in specie. During the year, shares of SCL recorded a fair value loss of approximately HK$19.7 million on financial assets at fair value through profit or loss in the consolidated income statement and shares of SCC recorded a fair value loss of approximately HK$3.8 million on available-for-sale financial assets in the consolidated statement of comprehensive income.

Material acquisitions and disposals of subsidiaries and associates

On 31 January 2011, the Group disposed of its entire interest in Thousand China Investments Limited ("**Thousand China**") to a direct wholly-owned subsidiary of SCC, of which a director of the Company has its controlling shareholder, for a consideration of HK$28,875,000, which was determined on the net asset value of Thousand China and its subsidiaries (collectively "Thousand China Group") at the completion date. The Group recognised the net results of a loss of HK$155,000, which included the operating results of Thousand China Group of a loss of HK$585,000 and the gain on disposal of Thousand China Group of HK$430,000.

On 29 July 2011, the Company announced the disposal of the entire issued share capital of Genion Limited, which owned 60% equity interest in Chongqing South China Zenith Information Technology Co., Ltd. (重慶南華中天信息技術有限公司), which in turn owned 100% equity interests in Chongqing Zenith International Information Technology Co., Ltd. (重慶中天國際信息技術有限公司), 50% equity interests in Chongqing Jin Tung Tai Information Technology Co., Ltd. (重慶金通泰信息技術有限公司) and 18% equity interests in Chongqing Fortuna Information Technology Co., Ltd. (重慶運通資訊科技有限公司) (collectively "Genion Group"). The purchaser and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (other than the 18% equity interests in Chongqing Fortuna Information Technology Co., Ltd. (being a subsidiary of the Company) to be held by the purchaser upon completion of the said transaction). The aggregate consideration was HK$11 million, upon and subject to the terms and conditions of the relevant sales and purchase agreement. Details of the transaction (including the provision of the indemnity in favour of the purchaser (which is subject to a maximum cap of HK$11 million and was valid for two years from the date of the said sale and purchase agreement)) were disclosed in the announcement and circular of the Company dated 29 July 2011 and 22 August 2011 respectively. The said transaction was completed on 25 August 2011. On 12 September 2011, the Company received demand from the purchaser requiring the Company to indemnify the purchaser in the sum of HK$11 million to the purchaser. The Company was informed by the purchaser that Chongqing South China Zenith Information Technology Co., Ltd. had recently been required to pay a sum exceeding HK$11 million to the relevant local government authority in respect of the contingent liabilities after the completion date. Further details are set out in the Company's announcement dated 12 September 2011. The Group recognised the net results of a loss of HK$19,046,000, which included the operating results of Genion Group of a loss of HK$4,726,000 and the loss on disposal of Genion Group of HK$14,320,000.

Future plans for material investments or capital assets

For the year ended 31 December 2011, the Remaining Group did not have any future plans for material investments or capital assets.

5. 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 Disposal Completion and the entering into of the Service Agreement, 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 purchasing 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 the 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 our corporate client base in Hong Kong. Four Seas shall seek for cooperation with global joint venture partners to expand business opportunities of 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 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.

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 the Remaining Business Companies of the Company, and together with the Company and certain new investment holding companies formed pursuant to the Reorganisation, will become the Remaining Group.

Upon completion of the Reorganisation, South China (BVI) Limited ("South China (BVI)") and its then subsidiaries, except for the Remaining Business Companies, will form the entities to be disposed (the "Disposed Companies").

Set out below in Section A is the unaudited financial information of South China (BVI) Limited and its subsidiaries (the "South China (BVI) Group") prior to the Reorganisation as at 31 December 2011, 2012 and 2013 and 30 April 2014 and for each of the years and period then ended (the "Relevant Periods"), together with the explanatory notes 1 to 3 (collectively the "Financial Information of the South China (BVI) Group"), which has been prepared by the Directors in accordance with Rule 14.68(2)(a)(i) of the Listing Rules.

The combined financial information of the Disposed Companies for the Relevant Periods is set out in Section A note 4 which reflects the financial information of the Disposed Companies upon completion of the Reorganisation, before reflecting the 15% equity interest of King Link and 35% equity interest of Four Seas retained by the Disposal Group (the "Combined Financial Information of the Disposed Companies").

The reporting accountants of the Company, Ernst & Young, has reviewed the Financial Information of the South China (BVI) Group and the Combined Financial Information of the Disposed Companies as set out below in Section A in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants.

Set out in Section B is the pro forma financial information of the Disposal Group (including the 15% equity interest of King Link and 35% equity interest of Four Seas) which reflects the pro forma financial information of the Disposal Group upon completion of the Reorganisation.

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP

I. UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Years ended 31 December			Four months ended 30 April	
	2011	2012	2013	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE	152,271	164,169	200,556	68,537	54,033
Cost of sales	(47,962)	(50,267)	(77,110)	(31,529)	(19,117)
Gross profit	104,309	113,902	123,446	37,008	34,916
Other income	10,323	3,894	6,462	1,322	1,249
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	2,045	(8,802)
Selling and distribution expenses	(6,935)	(7,332)	(7,509)	(3,413)	(2,380)
Administrative expenses	(88,828)	(85,687)	(99,977)	(29,115)	(38,988)
Other operating expenses	(5,368)	(387)	(1,444)	–	(759)
PROFIT/(LOSS) FROM OPERATIONS	6,258	31,181	32,601	7,847	(14,764)
Finance costs	(6,645)	(7,095)	(5,117)	(1,880)	(1,559)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(387)	24,086	27,484	5,967	(16,323)
Income tax expense	(4,893)	(4,811)	(5,533)	(1,607)	(1,344)
PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	(5,280)	19,275	21,951	4,360	(17,667)
DISCONTINUED OPERATIONS					
Loss for the year	(19,201)	–	–	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(24,481)	19,275	21,951	4,360	(17,667)
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)	15,391	3,847	7,054	(7,695)
Exchange differences on translation of foreign operations	4,508	(1,435)	2,577	2,491	(868)
Other comprehensive income/(loss) for the year/period	661	13,956	6,424	9,545	(8,563)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(23,820)	33,231	28,375	13,905	(26,230)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

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

	Years ended 31 December			Four months ended 30 April	
	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	(14,684)	19,233	21,890	4,663	(17,033)
Non-controlling interests	(9,797)	42	61	(303)	(634)
	(24,481)	19,275	21,951	4,360	(17,667)
Total comprehensive income attributable to:					
Owners of the Company	(15,901)	33,224	27,548	12,887	(25,267)
Non-controlling interests	(7,919)	7	827	1,018	(963)
	(23,820)	33,231	28,375	13,905	(26,230)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	31 December			30 April
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS				
Property, plant and equipment	8,586	8,031	8,015	7,361
Investment properties	38,000	38,600	38,900	38,900
Available-for-sale financial assets	29,319	44,710	48,566	40,871
Other non-current assets	28,368	28,331	29,150	28,795
Goodwill	2,994	2,994	2,994	2,994
Total non-current assets	107,267	122,666	127,625	118,921
CURRENT ASSETS				
Inventories	30,730	30,038	31,970	29,023
Trade and other receivables	269,515	220,863	231,415	272,178
Financial assets at fair value through profit or loss	23,907	30,098	40,916	32,114
Advances to non-controlling shareholders of subsidiaries	1,778	1,775	1,878	1,813
Amount due from ultimate holding company	166	138	219	219
Tax recoverable	–	–	146	230
Pledged bank balances	15,835	15,214	3,250	3,251
Cash and bank balances	57,040	31,852	34,224	24,785
Total current assets	398,971	329,978	344,018	363,613
CURRENT LIABILITIES				
Trade and other payables	208,130	143,259	155,511	174,135
Interest-bearing bank and other borrowings	87,552	62,750	37,419	54,655
Advances to non-controlling shareholders of subsidiaries	25	25	–	–
Tax payable	1,077	1,166	1,997	2,306
Total current liabilities	296,784	207,200	194,927	231,096
NET CURRENT ASSETS	102,187	122,778	149,091	132,517

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	31 December			30 April
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	209,454	245,444	276,716	251,438
NON-CURRENT LIABILITIES				
Advances from shareholders	56,782	59,541	62,438	63,390
Net assets	152,672	185,903	214,278	188,048
EQUITY				
Share capital	78	78	78	78
Reserves	131,914	165,138	192,686	167,419
	131,992	165,216	192,764	167,497
Non-controlling interests	20,680	20,687	21,514	20,551
Total equity	152,672	185,903	214,278	188,048

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Available-for-sale financial asset revaluation reserve *HK$'000*	PRC statutory reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2011	**78**	**18,658**	**861**	**11,626**	**120,951**	**152,174**	**40,959**	**193,133**
Loss for the year	–	–	–	–	(14,684)	(14,684)	(9,797)	(24,481)
Other comprehensive income/(loss) for the year:								
Changes in fair value of available-for-sale financial assets	–	(3,847)	–	–	–	(3,847)	–	(3,847)
Exchange differences on translation of foreign operations	–	–	–	2,630	–	2,630	1,878	4,508
Other comprehensive income/(loss) for the year	–	(3,847)	–	2,630	–	(1,217)	1,878	661
Total comprehensive income/(loss) for the year	–	(3,847)	–	2,630	(14,684)	(15,901)	(7,919)	(23,820)
Disposal of subsidiaries	–	–	–	(4,047)	–	(4,047)	(12,594)	(16,641)
Changes in ownership interest in a subsidiary	–	–	–	(52)	(182)	(234)	234	–
At 31 December 2011	**78**	**14,811**	**861**	**10,157**	**106,085**	**131,992**	**20,680**	**152,672**
Profit for the year	–	–	–	–	19,233	19,233	42	19,275
Other comprehensive income/(loss) for the year:								
Changes in fair value of available-for-sale financial assets	–	15,391	–	–	–	15,391	–	15,391
Exchange differences on translation of foreign operations	–	–	–	(1,400)	–	(1,400)	(35)	(1,435)
Other comprehensive income/(loss) for the year	–	15,391	–	(1,400)	–	13,991	(35)	13,956
Total comprehensive income/(loss) for the year	–	15,391	–	(1,400)	19,233	33,224	7	33,231
At 31 December 2012	**78**	**30,202**	**861**	**8,757**	**125,318**	**165,216**	**20,687**	**185,903**

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Share capital HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	PRC statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	**78**	**30,202**	**861**	**8,757**	**125,318**	**165,216**	**20,687**	**185,903**
Profit for the year	–	–	–	–	21,890	21,890	61	21,951
Other comprehensive income for the year:								
Changes in fair value of available-for-sale financial assets	–	3,847	–	–	–	3,847	–	3,847
Exchange differences on translation of foreign operations	–	–	–	1,811	–	1,811	766	2,577
Other comprehensive income for the year	–	3,847	–	1,811	–	5,658	766	6,424
Total comprehensive income for the year	–	3,847	–	1,811	21,890	27,548	827	28,375
At 31 December 2013	**78**	**34,049**	**861**	**10,568**	**147,208**	**192,764**	**21,514**	**214,278**
Loss for the period	–	–	–	–	(17,033)	(17,033)	(634)	(17,667)
Other comprehensive loss for the period:								
Changes in fair value of available-for-sale financial assets	–	(7,695)	–	–	–	(7,695)	–	(7,695)
Exchange differences on translation of foreign operations	–	–	–	(539)	–	(539)	(329)	(868)
Other comprehensive loss for the period	–	(7,695)	–	(539)	–	(8,234)	(329)	(8,563)
Total comprehensive loss for the period	–	(7,695)	–	(539)	(17,033)	(25,267)	(963)	(26,230)
At 30 April 2014	**78**	**26,354**	**861**	**10,029**	**130,175**	**167,497**	**20,551**	**188,048**

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended 31 December			Four months ended 30 April
	2011	2012	2013	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax:				
From continuing operation	(387)	24,086	27,484	(16,323)
From discontinued operation	(5,213)	–	–	–
	(5,600)	24,086	27,484	(16,323)
Adjustments for:				
Finance costs	7,786	7,095	5,117	1,559
Bank interest income	(137)	(185)	(106)	(23)
Impairment of other receivables	5,358	–	–	–
Write-off of trade receivables	–	183	94	800
Dividend income from listed investments	(660)	–	–	–
Depreciation	3,665	2,804	2,773	970
Fair value gain on investment properties	(12,800)	(600)	(300)	–
Amortisation of prepaid land lease payments	21	–	–	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	20,043	(6,191)	(11,323)	8,802
Loss/(gain) on disposal of items of property, plant and equipment, net	88	204	21	(40)
Write-back of trade and other payables	(2,988)	(49)	(51)	(4)
Share of profits and losses of associates	8	–	–	–
	14,784	27,347	23,709	(4,259)
Decrease/(increase) in inventories	(12,497)	639	(787)	2,465
Decrease/(increase) in trade and other receivables	(61,112)	47,796	(9,648)	(41,740)
Movements in balance with affiliates, net	1,954	28	(81)	–
Increase/(decrease) in trade and other payables and accruals	63,849	(65,259)	11,600	18,904
Cash generated from/(used in) operations	6,978	10,551	24,793	(24,630)
Hong Kong profits tax paid	(5,592)	(3,936)	(4,338)	(1,079)
Mainland China tax paid	(383)	(786)	(511)	(40)
Net cash flows from/(used in) operating activities	1,003	5,829	19,944	(25,749)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years ended 31 December			Four months ended 30 April
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(6,109)	(2,460)	(2,800)	(397)
Purchases of available-for-sale financial assets	–	–	(9)	–
Interest received	137	185	106	23
Additions to prepaid land lease payments	(981)	–	–	–
Cash received from disposal of subsidiaries, net	12,989	–	–	–
Proceeds from disposal of financial assets at fair value through profit or loss	–	–	505	–
Proceeds from disposal of items of property, plant and equipment	18	–	125	40
Dividends received from listed investments	660	–	–	–
Net cash flows from/(used in) investing activities	6,714	(2,275)	(2,073)	(334)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowings	15,658	3,198	441,171	112,436
Repayment of bank loans	(14,176)	(28,191)	(468,113)	(103,630)
Repayment to shareholders	(6,078)	–	–	–
Repayment from/(advance to) non-controlling shareholders of subsidiaries	(379)	–	(60)	36
Interest paid	(7,786)	(4,336)	(2,220)	(607)
Net cash flows from/(used in) financing activities	(12,761)	(29,329)	(29,222)	8,235
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,044)	(25,775)	(11,351)	(17,848)
Cash and cash equivalents at beginning of year/period	74,394	72,875	47,066	36,483
Effect of foreign exchange rate changes, net	3,525	(34)	768	(275)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	72,875	47,066	36,483	18,360

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

I. UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Years ended 31 December			Four months ended 30 April
	2011	**2012**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances as stated in the consolidated statement of financial position	57,040	31,852	34,224	24,785
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	15,835	15,214	3,250	3,251
Bank overdrafts	–	–	(991)	(9,676)
Cash and cash equivalents as stated in the statements of cash flows	72,875	47,066	36,483	18,360

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION

1. GENERAL

South China (BVI) Limited ("South China (BVI)") was incorporated in the British Virgin Islands with limited liability whose registered office is Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, the British Virgin Islands.

During the Relevant Periods, South China (BVI) 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, management services and other investment holding.

In the opinion of the directors of South China (BVI), the holding company of South China (BVI) is South China Holdings Limited ("SCH") whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION

The unaudited consolidated financial information has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purpose of inclusion in the circular to be issued by SCH in connection with the proposed disposal of the entire issued share capital of South China (BVI) owned by SCH upon completion of the Reorganisation pursuant to the disposal agreement dated 30 April 2014 entered into between SCH and Tremendous Success Holdings Limited (the "Disposal Agreement").

The amounts included in the unaudited consolidated financial information for each of the three years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 have been prepared using the same accounting policies used in the preparation of the consolidated financial statements of SCH and its subsidiaries for the year ended 31 December 2013, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The unaudited consolidated financial information does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard ("HKAS") 1 "Presentation of Financial Statements" nor an interim report as defined in HKAS 34 "Interim Financial Reporting" issued by the HKICPA.

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

2. BASIS OF PREPARATION (Continued)

King Link Investments Limited ("King Link"), Four Seas Tours Limited ("Four Seas") and Worldunity Investments Limited ("Worldunity") are wholly-owned subsidiaries of South China (BVI) at the date of this report, and together with the subsidiary of King Link, 南京南華寶慶珠寶首飾有限公司 ("Nanjing Baoqing"), are collectively referred hereinafter as the "Remaining Business Companies". The results of these Remaining Business Companies, together with other subsidiaries, are consolidated in South China (BVI) to arrive at the unaudited consolidated financial information of the South China (BVI) Group for each of the three years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014 set out in Section A(I) above.

Pursuant to the Disposal Agreement, South China (BVI) and its subsidiaries, but excluding the Remaining Business Companies, are to be disposed and are hereinafter referred collectively as the "Disposed Companies". For the purpose of this report, the results of the Remaining Business Companies are excluded from the consolidated results of South China (BVI) Group to arrive at the Combined Financial Information of the Disposed Companies set out in note 4 below.

3. OPERATING SEGMENT INFORMATION OF THE SOUTH CHINA (BVI) GROUP

For the purpose of this report, additional unaudited financial information regarding the business units operated by the South China (BVI) Group is presented based on their products and services with four operating segments as follows:

(a) the Travel Agent Business (Corporate) segment involves the sale of air-tickets, other travel related and other services to corporate customers;

(b) the Travelling Services Business and other services segment involves the sale of air-tickets, other travel related and other services to non-corporate customers;

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

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

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

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/(loss), which is a measure of profit/(loss) before tax. The profit/(loss) before tax is measured consistently with the profit/(loss) 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 2011

	Travel Agent Business (Corporate) *HK$'000*	Travelling Services Business and other services *HK$'000*	Trading and manufacturing of jewellery *HK$'000*	Investment holding *HK$'000*	Total continuing operations of South China (BVI) Group *HK$'000*
Segment revenue:					
Sales to external customers	#37,789	56,512	57,970	–	152,271
Segment results	*17,073	9,444	3,184	(23,443)	6,258
Reconciliation:					
Finance costs					(6,645)
Loss before tax					(387)
Segment assets and total assets	42,799	281,539	36,988	144,912	506,238
Segment liabilities	33,185	165,451	6,323	59,978	264,937
Reconciliation:					
Corporate and other unallocated liabilities					88,629
Total liabilities					353,566

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

Year ended 31 December 2012

	Travel Agent Business (Corporate)	Travelling Services Business and other services	Trading and manufacturing of jewellery	Investment holding	South China (BVI) Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	#33,084	70,012	61,073	–	164,169
Segment results:	*11,694	15,027	3,255	1,205	31,181
Reconciliation:					
Finance costs					(7,095)
Profit before tax					24,086
Segment assets and total assets	36,083	215,392	34,823	166,346	452,644
Segment liabilities	29,068	106,626	6,233	60,898	202,825
Reconciliation:					
Corporate and other unallocated liabilities					63,916
Total liabilities					266,741

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

Year ended 31 December 2013

	Travel Agent Business (Corporate)	Travelling Services Business and other services	Trading and manufacturing of jewellery	Investment holding	South China (BVI) Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	#37,750	76,769	86,037	–	200,556
Segment results:	*15,568	20,847	2,058	(5,872)	32,601
Reconciliation:					
Finance costs					(5,117)
Profit before tax					27,484
Segment assets and total assets	34,450	220,700	36,132	180,361	471,643
Segment liabilities	34,298	110,312	7,890	65,449	217,949
Reconciliation:					
Corporate and other unallocated liabilities					39,416
Total liabilities					257,365

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

3. OPERATING SEGMENT INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

Four months ended 30 April 2014

	Travel Agent Business (Corporate)	Travelling Services Business and other services	Trading and manufact-uring of jewellery	Investment holding	South China (BVI) Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:					
Sales to external customers	#7,782	25,717	20,534	–	54,033
Segment results:	*1,085	2,794	80	(18,723)	(14,764)
Reconciliation:					
Finance costs					(1,559)
Loss before tax					(16,323)
Segment assets and total assets	45,875	243,780	32,923	159,956	482,534
Segment liabilities	4,021	163,994	5,154	64,356	237,525
Reconciliation:					
Corporate and other unallocated liabilities					56,961
Total liabilities					294,486

Included in the segment revenue of the Travel Agent Business (Corporate) were revenue of HK$169,000, HK$222,000, HK$2,414,000 generated by Four Seas and revenue of HK$37,620,000, HK$32,862,000, HK$35,336,000 generated by Hong Kong Four Seas Tours Limited ("HK Four Seas") for the years ended 31 December 2011, 2012 and 2013, respectively. The segment revenue of the Travel Agent Business (Corporate) wholly represented revenue generated by Four Seas for the four months ended 30 April 2014.

* Included in the segment results of the Travel Agent Business (Corporate) were segment results of HK$136,000, HK$185,000, HK$909,000 generated by Four Seas and HK$16,937,000, HK$11,509,000, HK$14,659,000 generated by HK Four Seas for the years ended 31 December 2011, 2012 and 2013, respectively. The segment results of the Travel Agent Business (Corporate) wholly represented segment results generated by Four Seas for the four months ended 30 April 2014.

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the year ended 31 December 2011

	The South China (BVI) Group for the year ended 31 December 2011 HK$'000	King Link Group for the year ended 31 December 2011 HK$'000	Four Seas for the year ended 31 December 2011 HK$'000	Worldunity for the year ended 31 December 2011 HK$'000	Remaining Business Companies for the year ended 31 December 2011 HK$'000	The Disposed Companies for the year ended 31 December 2011 HK$'000
Revenue	152,271	57,970	169	–	58,139	94,132
Cost of sales	(47,962)	(45,704)	–	–	(45,704)	(2,258)
Gross profit	104,309	12,266	169	–	12,435	91,874
Other income	10,323	569	–	641	1,210	9,113
Fair value gain in investment properties	12,800	–	–	–	–	12,800
Fair value loss on financial assets at fair value through profit or loss	(20,043)	–	–	(19,744)	(19,744)	(299)
Selling and distribution expenses	(6,935)	(6,857)	–	–	(6,857)	(78)
Administrative expenses	(88,828)	(2,787)	(33)	–	(2,820)	(86,008)
Other operating expenses	(5,368)	(8)	–	–	(8)	(5,360)
Profit/(loss) from operation	6,258	3,183	136	(19,103)	(15,784)	22,042
Finance costs	(6,645)	(1,666)	–	–	(1,666)	(4,979)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	(387)	1,517	136	(19,103)	(17,450)	17,063
Income tax expense	(4,893)	(494)	–	–	(494)	(4,399)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	(5,280)	1,023	136	(19,103)	(17,944)	12,664
DISCONTINUED OPERATIONS						
Loss for the year	(19,201)	–	–	–	–	(19,201)
PROFIT/(LOSS) FOR THE YEAR	(24,481)	1,023	136	(19,103)	(17,944)	(6,537)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the year ended 31 December 2011 (Continued)

	The South China (BVI) Group for the year ended 31 December 2011 *HK$'000*	King Link Group for the year ended 31 December 2011 *HK$'000*	Four Seas for the year ended 31 December 2011 *HK$'000*	Worldunity for the year ended 31 December 2011 *HK$'000*	Remaining Business Companies for the year ended 31 December 2011 *HK$'000*	The Disposed Companies for the year ended 31 December 2011 *HK$'000*
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)	–	–	(3,847)	(3,847)	–
Exchange differences on translation of foreign operations	4,508	458	–	–	458	4,050
Other comprehensive income/(loss) for the year	661	458	–	(3,847)	(3,389)	4,050
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	(23,820)	1,481	136	(22,950)	(21,333)	(2,487)
Profit/(loss) for the year attributable to:						
Owners of the Company	(14,684)	669	136	(19,103)	(18,298)	3,614
Non-controlling interests	(9,797)	354	–	–	354	(10,151)
	(24,481)	1,023	136	(19,103)	(17,944)	(6,537)
Total comprehensive income/(loss) attributable to:						
Owners of the Company	(15,901)	969	136	(22,950)	(21,845)	5,944
Non-controlling interests	(7,919)	512	–	–	512	(8,431)
	(23,820)	1,481	136	(22,950)	(21,333)	(2,487)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the year ended 31 December 2012

	The South China (BVI) Group for the year ended 31 December 2012 *HK$'000*	King Link Group for the year ended 31 December 2012 *HK$'000*	Four Seas for the year ended 31 December 2012 *HK$'000*	Worldunity for the year ended 31 December 2012 *HK$'000*	Remaining Business Companies for the year ended 31 December 2012 *HK$'000*	The Disposed Companies for the year ended 31 December 2012 *HK$'000*
Revenue	164,169	61,073	222	–	61,295	102,874
Cost of sales	(50,267)	(47,999)	–	–	(47,999)	(2,268)
Gross profit	113,902	13,074	222	–	13,296	100,606
Other income	3,894	493	–	–	493	3,401
Fair value gain in investment properties	600	–	–	–	–	600
Fair value gain on financial assets at fair value through profit or loss	6,191	–	–	6,185	6,185	6
Selling and distribution expenses	(7,332)	(7,302)	–	–	(7,302)	(30)
Administrative expenses	(85,687)	(3,005)	(37)	–	(3,042)	(82,645)
Other operating expenses	(387)	(4)	–	–	(4)	(383)
Profit from operation	31,181	3,256	185	6,185	9,626	21,555
Finance costs	(7,095)	(1,729)	–	–	(1,729)	(5,366)
PROFIT BEFORE TAX	24,086	1,527	185	6,185	7,897	16,189
Income tax expense	(4,811)	(389)	–	–	(389)	(4,422)
PROFIT FOR THE YEAR	19,275	1,138	185	6,185	7,508	11,767
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	15,391	–	–	15,391	15,391	–
Exchange differences on translation of foreign operations	(1,435)	(17)	–	–	(17)	(1,418)
Other comprehensive income/(loss) for the year	13,956	(17)	–	15,391	15,374	(1,418)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	33,231	1,121	185	21,576	22,882	10,349

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the year ended 31 December 2012 (Continued)

	The South China (BVI) Group for the year ended 31 December 2012	King Link Group for the year ended 31 December 2012	Four Seas for the year ended 31 December 2012	Worldunity for the year ended 31 December 2012	Remaining Business Companies for the year ended 31 December 2012	The Disposed Companies for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year attributable to:						
Owners of the Company	19,233	744	185	6,185	7,114	12,119
Non-controlling interests	42	394	–	–	394	(352)
	19,275	1,138	185	6,185	7,508	11,767
Total comprehensive income/(loss) attributable to:						
Owners of the Company	33,224	734	185	21,576	22,495	10,729
Non-controlling interests	7	387	–	–	387	(380)
	33,231	1,121	185	21,576	22,882	10,349

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the year ended 31 December 2013

	The South China (BVI) Group for the year ended 31 December 2013 *HK$'000*	King Link Group for the year ended 31 December 2013 *HK$'000*	Four Seas for the year ended 31 December 2013 *HK$'000*	Worldunity for the year ended 31 December 2013 *HK$'000*	Remaining Business Companies for the year ended 31 December 2013 *HK$'000*	The Disposed Companies for the year ended 31 December 2013 *HK$'000*
Revenue	200,556	86,037	2,414	–	88,451	112,105
Cost of sales	(77,110)	(73,877)	–	–	(73,877)	(3,233)
Gross profit	123,446	12,160	2,414	–	14,574	108,872
Other income	6,462	631	–	–	631	5,831
Fair value gain in investment properties	300	–	–	–	–	300
Fair value gain on financial assets at fair value through profit or loss	11,323	–	–	11,182	11,182	141
Selling and distribution expenses	(7,509)	(7,482)	–	–	(7,482)	(27)
Administrative expenses	(99,977)	(3,249)	(1,505)	–	(4,754)	(95,223)
Other operating expenses	(1,444)	–	–	–	–	(1,444)
Profit from operation	32,601	2,060	909	11,182	14,151	18,450
Finance costs	(5,117)	(1,266)	–	–	(1,266)	(3,851)
PROFIT BEFORE TAX	27,484	794	909	11,182	12,885	14,599
Income tax expense	(5,533)	(218)	–	–	(218)	(5,315)
PROFIT FOR THE YEAR	21,951	576	909	11,182	12,667	9,284
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	3,847	–
Exchange differences on translation of foreign operations	2,577	436	–	–	436	2,141
Other comprehensive income for the year	6,424	436	–	3,847	4,283	2,141
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	28,375	1,012	909	15,029	16,950	11,425

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the year ended 31 December 2013 (Continued)

	The South China (BVI) Group for the year ended 31 December 2013 *HK$'000*	King Link Group for the year ended 31 December 2013 *HK$'000*	Four Seas for the year ended 31 December 2013 *HK$'000*	Worldunity for the year ended 31 December 2013 *HK$'000*	Remaining Business Companies for the year ended 31 December 2013 *HK$'000*	The Disposed Companies for the year ended 31 December 2013 *HK$'000*
Profit/(loss) for the year attributable to:						
Owners of the Company	21,890	375	909	11,182	12,466	9,424
Non-controlling interests	61	201	–	–	201	(140)
	21,951	576	909	11,182	12,667	9,284
Total comprehensive income attributable to:						
Owners of the Company	27,548	659	909	15,029	16,597	10,951
Non-controlling interests	827	353	–	–	353	474
	28,375	1,012	909	15,029	16,950	11,425

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the four months ended 30 April 2014

	The South China (BVI) Group for the four months ended 30 April 2014 HK$'000	King Link Group for the four months ended 30 April 2014 HK$'000	Four Seas for the four months ended 30 April 2014 HK$'000	Worldunity for the four months ended 30 April 2014 HK$'000	Remaining Business Companies for the four months ended 30 April 2014 HK$'000	The Disposed Companies for the four months ended 30 April 2014 HK$'000
Revenue	54,033	20,534	7,782	–	28,316	25,717
Cost of sales	(19,117)	(17,080)	–	–	(17,080)	(2,037)
Gross profit	34,916	3,454	7,782	–	11,236	23,680
Other income	1,249	118	87	–	205	1,044
Fair value loss on financial assets at fair value through profit or loss	(8,802)	–	–	(8,802)	(8,802)	–
Selling and distribution expenses	(2,380)	(2,375)	–	–	(2,375)	(5)
Administrative expenses	(38,988)	(1,118)	(6,784)	–	(7,902)	(31,086)
Other operating expenses	(759)	–	–	–	–	(759)
Profit/(loss) from operation	(14,764)	79	1,085	(8,802)	(7,638)	(7,126)
Finance costs	(1,559)	(378)	–	–	(378)	(1,181)
PROFIT/(LOSS) BEFORE TAX	(16,323)	(299)	1,085	(8,802)	(8,016)	(8,307)
Income tax expense	(1,344)	75	(95)	–	(20)	(1,324)
PROFIT/(LOSS) FOR THE PERIOD	(17,667)	(224)	990	(8,802)	(8,036)	(9,631)
OTHER COMPREHENSIVE LOSS						
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:						
Changes in fair value of available-for-sale financial assets	(7,695)	–	–	(7,695)	(7,695)	–
Exchange differences on translation of foreign operations	(868)	(194)	–	–	(194)	(674)
Other comprehensive loss for the period	(8,563)	(194)	–	(7,695)	(7,889)	(674)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(26,230)	(418)	990	(16,497)	(15,925)	(10,305)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the four months ended 30 April 2014 (Continued)

	The South China (BVI) Group for the four months ended 30 April 2014	King Link Group for the four months ended 30 April 2014	Four Seas for the four months ended 30 April 2014	Worldunity for the four months ended 30 April 2014	Remaining Business Companies for the four months ended 30 April 2014	The Disposed Companies for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the period attributable to:						
Owners of the Company	(17,033)	(146)	990	(8,802)	(7,958)	(9,075)
Non-controlling interests	(634)	(78)	–	–	(78)	(556)
	(17,667)	(224)	990	(8,802)	(8,036)	(9,631)
Total comprehensive income/(loss) attributable to:						
Owners of the Company	(25,267)	(273)	990	(16,497)	(15,780)	(9,487)
Non-controlling interests	(963)	(145)	–	–	(145)	(818)
	(26,230)	(418)	990	(16,497)	(15,925)	(10,305)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the four months ended 30 April 2013

	The South China (BVI) Group for the four months ended 30 April 2013 *HK$'000*	King Link Group for the four months ended 30 April 2013 *HK$'000*	Four Seas for the four months ended 30 April 2013 *HK$'000*	Worldunity for the four months ended 30 April 2013 *HK$'000*	Remaining Business Companies for the four months ended 30 April 2013 *HK$'000*	The Disposed Companies for the four months ended 30 April 2013 *HK$'000*
Revenue	68,537	35,039	–	–	35,039	33,498
Cost of sales	(31,529)	(30,036)	–	–	(30,036)	(1,493)
Gross profit	37,008	5,003	–	–	5,003	32,005
Other income	1,322	134	–	–	134	1,188
Fair value gain on financial assets at fair value through profit or loss	2,045	–	–	1,903	1,903	142
Selling and distribution expenses	(3,413)	(2,474)	–	–	(2,474)	(939)
Administrative expenses	(29,115)	(1,009)	–	–	(1,009)	(28,106)
Other operating expenses	–	–	–	–	–	–
Profit from operation	7,847	1,654	–	1,903	3,557	4,290
Finance costs	(1,880)	(601)	–	–	(601)	(1,279)
PROFIT BEFORE TAX	5,967	1,053	–	1,903	2,956	3,011
Income tax expenses	(1,607)	(263)	–	–	(263)	(1,344)
PROFIT FOR THE PERIOD	4,360	790	–	1,903	2,693	1,667
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	7,054	–	–	2,060	2,060	4,994
Exchange differences on translation of foreign operations	2,491	958	–	–	958	1,533
Other comprehensive income for the period	9,545	958	–	2,060	3,018	6,527
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	13,905	1,748	–	3,963	5,711	8,194

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of profit or loss and other comprehensive income of the Disposed Companies for the four months ended 30 April 2013 (Continued)

	The South China (BVI) Group for the four months ended 30 April 2013	King Link Group for the four months ended 30 April 2013	Four Seas for the four months ended 30 April 2013	Worldunity for the four months ended 30 April 2013	Remaining Business Companies for the four months ended 30 April 2013	The Disposed Companies for the four months ended 30 April 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the period attributable to:						
Owners of the Company	4,663	517	–	1,903	2,420	2,243
Non-controlling interests	(303)	273	–	–	273	(576)
	4,360	790	–	1,903	2,693	1,667
Total comprehensive income/(loss) attributable to:						
Owners of the Company	12,887	1,144	–	3,963	5,107	7,780
Non-controlling interests	1,018	604	–	–	604	414
	13,905	1,748	–	3,963	5,711	8,194

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of financial position of the Disposed Companies as at 31 December 2011

	The South China (BVI) Group as at 31 December 2011 HK$'000	King Link Group as at 31 December 2011 HK$'000	Four Seas as at 31 December 2011 HK$'000	Worldunity as at 31 December 2011 HK$'000	Intercompany reclassification HK$'000	Remaining Business Companies as at 31 December 2011 HK$'000	The Disposed Companies as at 31 December 2011 HK$'000
NON-CURRENT ASSETS							
Property, plant and equipment	8,586	415	–	–		415	8,171
Investment property	38,000	–	–	–		–	38,000
Available-for-sale financial assets	29,319	–	–	28,858		28,858	461
Other non-current assets	28,368	–	–	–		–	28,368
Goodwill	2,994	–	–	–		–	2,994
Total non-current assets	107,267	415	–	28,858		29,273	77,994
CURRENT ASSETS							
Inventories	30,730	30,579	–	–		30,579	151
Prepayments, deposits, trade and other receivables	269,515	4,086	2	–		4,088	265,427
Financial assets at fair value through profit or loss	23,907	–	–	23,550		23,550	357
Advance to non-controlling shareholders of subsidiaries	1,778	–	–	–		–	1,778
Due from affiliates	166	–	3,646	–	(17,974)	(14,328)	14,494
Pledged deposits	15,835	–	–	–		–	15,835
Cash and cash equivalents	57,040	1,874	–	–		1,874	55,166
Total current assets	398,971	36,539	3,648	23,550		45,763	353,208
CURRENT LIABILITIES							
Trade and other payables and accruals	208,130	6,299	2,643	–		8,942	199,188
Due to affiliates	–	2,213	–	12,115	(17,974)	(3,646)	3,646
Advances to non-controlling shareholders of subsidiaries	25	25	–	–		25	–
Tax payable	1,077	266	–	–		266	811
Interest-bearing bank and other borrowings	87,552	20,364	–	–		20,364	67,188
Total current liabilities	296,784	29,167	2,643	12,115		25,951	270,833
NET CURRENT ASSETS	102,187	7,372	1,005	11,435		19,812	82,375
TOTAL ASSETS LESS CURRENT LIABILITIES	209,454	7,787	1,005	40,293		49,085	160,369
NON-CURRENT LIABILITIES							
Advance from shareholders	56,782	–	–	–		–	56,782
Net assets	152,672	7,787	1,005	40,293		49,085	103,587
EQUITY							
Share capital	78	–	–	–		–	78
Reserves	131,914	4,247	1,005	40,293		45,545	86,369
	131,992	4,247	1,005	40,293		45,545	86,447
Non-controlling interests	20,680	3,540	–	–		3,540	17,140
Total equity	152,672	7,787	1,005	40,293		49,085	103,587

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of financial position of the Disposed Companies as at 31 December 2012

	The South China (BVI) Group as at 31 December 2012 HK$'000	King Link Group as at 31 December 2012 HK$'000	Four Seas as at 31 December 2012 HK$'000	Worldunity as at 31 December 2012 HK$'000	Intercompany reclassification HK$'000	Remaining Business Companies as at 31 December 2012 HK$'000	The Disposed Companies as at 31 December 2012 HK$'000
NON-CURRENT ASSETS							
Property, plant and equipment	8,031	309	–	–		309	7,722
Investment property	38,600	–	–	–		–	38,600
Available-for-sale financial assets	44,710	–	–	44,250		44,250	460
Other non-current assets	28,331	–	–	–		–	28,331
Goodwill	2,994	–	–	–		–	2,994
Total non-current assets	122,666	309	–	44,250		44,559	78,107
CURRENT ASSETS							
Inventories	30,038	29,950	–	–		29,950	88
Prepayments, deposits, trade and other receivables	220,863	2,347	2	–		2,349	218,514
Financial assets at fair value through profit or loss	30,098	–	–	29,734		29,734	364
Advance to non-controlling shareholders of subsidiaries	1,775	–	–	–		–	1,775
Due from affiliates	138	–	1,940	–	(16,268)	(14,328)	14,466
Pledged deposits	15,214	–	–	–		–	15,214
Cash and cash equivalents	31,852	2,183	–	–		2,183	29,669
Total current assets	329,978	34,480	1,942	29,734		49,888	280,090
CURRENT LIABILITIES							
Trade and other payables and accruals	143,259	6,208	752	–		6,960	136,299
Due to affiliates	–	2,213	–	12,115	(16,268)	(1,940)	1,940
Advances to non-controlling shareholders of subsidiaries	25	25	–	–		25	–
Tax payable	1,166	70	–	–		70	1,096
Interest-bearing bank and other borrowings	62,750	17,365	–	–		17,365	45,385
Total current liabilities	207,200	25,881	752	12,115		22,480	184,720
NET CURRENT ASSETS	122,778	8,599	1,190	17,619		27,408	95,370
TOTAL ASSETS LESS CURRENT LIABILITIES	245,444	8,908	1,190	61,869		71,967	173,477
NON-CURRENT LIABILITIES							
Advance from shareholders	59,541	–	–	–		–	59,541
Net assets	185,903	8,908	1,190	61,869		71,967	113,936
EQUITY							
Share capital	78	–	–	–		–	78
Reserves	165,138	4,981	1,190	61,869		68,040	97,098
	165,216	4,981	1,190	61,869		68,040	97,176
Non-controlling interests	20,687	3,927	–	–		3,927	16,760
Total equity	185,903	8,908	1,190	61,869		71,967	113,936

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of financial position of the Disposed Companies as at 31 December 2013

	The South China (BVI) Group as at 31 December 2013	King Link Group as at 31 December 2013	Four Seas as at 31 December 2013	Worldunity as at 31 December 2013	Intercompany reclassification	Remaining Business Companies as at 31 December 2013	The Disposed Companies as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	8,015	294	–	–		294	7,721
Investment property	38,900	–	–	–		–	38,900
Available-for-sale financial assets	48,566	–	–	48,097		48,097	469
Other non-current assets	29,150	–	–	–		–	29,150
Goodwill	2,994	–	–	–		–	2,994
Total non-current assets	127,625	294	–	48,097		48,391	79,234
CURRENT ASSETS							
Inventories	31,970	31,880	–	–		31,880	90
Prepayments, deposits, trade and other receivables	231,415	2,632	10,802	–		13,434	217,981
Financial assets at fair value through profit or loss	40,916	–	–	40,916		40,916	–
Advance to non-controlling shareholders of subsidiaries	1,878	36	–	–		36	1,842
Due from affiliates	219	–	–	–	(22,442)	(22,442)	22,661
Tax recoverable	146	146	–	–		146	–
Pledged deposits	3,250	–	–	–		–	3,250
Cash and cash equivalents	34,224	1,112	416	–		1,528	32,696
Total current assets	344,018	35,806	11,218	40,916		65,498	278,520
CURRENT LIABILITIES							
Trade and other payables and accruals	155,511	7,890	1,005	–		8,895	146,616
Due to affiliates	–	2,213	8,114	12,115	(22,442)	–	–
Tax payable	1,997	–	–	–		–	1,997
Interest-bearing bank and other borrowings	37,419	16,077	–	–		16,077	21,342
Total current liabilities	194,927	26,180	9,119	12,115		24,972	169,955
NET CURRENT ASSETS	149,091	9,626	2,099	28,801		40,526	108,565
TOTAL ASSETS LESS CURRENT LIABILITIES	276,716	9,920	2,099	76,898		88,917	187,799
NON-CURRENT LIABILITIES							
Advance from shareholders	62,438	–	–	–		–	62,438
Net assets	214,278	9,920	2,099	76,898		88,917	125,361
EQUITY							
Share capital	78	–	–	–		–	78
Reserves	192,686	5,640	2,099	76,898		84,637	108,049
	192,764	5,640	2,099	76,898		84,637	108,127
Non-controlling interests	21,514	4,280	–	–		4,280	17,234
Total equity	214,278	9,920	2,099	76,898		88,917	125,361

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statement of financial position of the Disposed Companies as at 30 April 2014

	The South China (BVI) Group as at 30 April 2014 *HK$'000*	King Link Group as at 30 April 2014 *HK$'000*	Four Seas as at 30 April 2014 *HK$'000*	Worldunity as at 30 April 2014 *HK$'000*	Intercompany reclassification *HK$'000*	Remaining Business Companies as at 30 April 2014 *HK$'000*	The Disposed Companies as at 30 April 2014 *HK$'000*
NON-CURRENT ASSETS							
Property, plant and equipment	7,361	273	9	–		282	7,079
Investment property	38,900	–	–	–		–	38,900
Available-for-sale financial assets	40,871	–	–	40,402		40,402	469
Other non-current assets	28,795	–	–	–		–	28,795
Goodwill	2,994	–	–	–		–	2,994
Total non-current assets	118,921	273	9	40,402		40,684	78,237
CURRENT ASSETS							
Inventories	29,023	28,774	–	–		28,774	249
Prepayments, deposits, trade and other receivables	272,178	2,341	43,360	–		45,701	226,477
Financial assets at fair value through profit or loss	32,114	–	–	32,114		32,114	–
Advance to non-controlling shareholders of subsidiaries	1,813	–	–	–		–	1,813
Due from affiliates	219	–	–	–	(53,093)	(53,093)	53,312
Tax recoverable	230	230	–	–		230	–
Pledged deposits	3,251	–	–	–		–	3,251
Cash and cash equivalents	24,785	1,305	2,506	–		3,811	20,974
Total current assets	363,613	32,650	45,866	32,114		57,537	306,076
CURRENT LIABILITIES							
Trade and other payables and accruals	174,135	5,154	4,021	–		9,175	164,960
Due to affiliates	–	2,213	38,765	12,115	(53,093)	–	–
Tax payable	2,306	–	–	–		–	2,306
Interest-bearing bank and other borrowings	54,655	16,054	–	–		16,054	38,601
Total current liabilities	231,096	23,421	42,786	12,115		25,229	205,867
NET CURRENT ASSETS	132,517	9,229	3,080	19,999		32,308	100,209
TOTAL ASSETS LESS CURRENT LIABILITIES	251,438	9,502	3,089	60,401		72,992	178,446
NON-CURRENT LIABILITIES							
Advance from shareholders	63,390	–	–	–		–	63,390
Net assets	188,048	9,502	3,089	60,401		72,992	115,056
EQUITY							
Share capital	78	–	–	–		–	78
Reserves	167,419	5,367	3,089	60,401		68,857	98,562
	167,497	5,367	3,089	60,401		68,857	98,640
Non-controlling interests	20,551	4,135	–	–		4,135	16,416
Total equity	188,048	9,502	3,089	60,401		72,992	115,056

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statements of cash flows for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014

	The Disposed Companies for the year ended 31 December 2011	The Disposed Companies for the year ended 31 December 2012	The Disposed Companies for the year ended 31 December 2013	The Disposed Companies for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax				
From continuing operation	17,063	16,189	14,599	(8,307)
From discontinued operation	(5,213)	–	–	–
	11,850	16,189	14,599	(8,307)
Adjustments for:				
Finance costs	6,120	5,366	3,851	1,181
Bank interest income	(123)	(172)	(88)	–
Impairment/(reversal of impairment) of other receivables	5,358	–	–	(20)
Dividend income from listed investments	(660)	–	–	–
Write-off of trade receivables	–	184	94	640
Depreciation	3,488	2,685	2,712	949
Fair value gain on investment properties	(12,800)	(600)	(300)	–
Amortisation of prepaid land lease payments	21	–	–	–
Fair value gain/(loss) on financial assets at fair value through profit or loss	299	(6)	(141)	–
Loss/(gain) on disposal of items of property, plant and equipment, net	80	200	21	(40)
Write-back of trade and other payables	(2,988)	(49)	(51)	(4)
Share of profits and losses of associates	8	–	–	–
	10,653	23,797	20,697	(5,601)
Decrease/(increase) in inventories	(4,782)	62	3	(157)
Decrease/(increase) in trade and other receivables	(61,649)	46,066	1,338	(9,269)
Movements in balances with affiliates, net	2,978	(1,679)	(10,135)	(30,651)
Increase/(decrease) in trade and other payables and accruals	60,514	(63,288)	9,918	18,618
Cash generated from/(used in) operations	7,714	4,958	21,821	(27,060)
Hong Kong profits tax paid	(5,592)	(3,936)	(4,338)	(1,079)
Mainland China tax paid	(114)	(203)	(78)	(31)
Net cash flows from/(used in) operating activities	2,008	819	17,405	(28,170)

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statements of cash flows for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014 (Continued)

	The Disposed Companies for the year ended 31 December 2011	The Disposed Companies for the year ended 31 December 2012	The Disposed Companies for the year ended 31 December 2013	The Disposed Companies for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(6,081)	(2,442)	(2,765)	(384)
Additions to prepaid land lease payments	(981)	–	–	–
Cash received from disposal of subsidiaries, net	12,989	–	–	–
Purchases of available-for-sale financial assets	–	–	(9)	–
Interest received	123	172	88	20
Proceeds from disposal of financial assets at fair value through profit or loss	–	–	505	–
Proceeds from disposal of items of property, plant and equipment	18	–	125	40
Dividends received from listed investments	660	–	–	–
Net cash flows from/(used in) investing activities	6,728	(2,270)	(2,056)	(324)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowings	3,070	132	432,893	112,182
Repayment of bank loans	(5,058)	(22,161)	(457,917)	(103,609)
Repayment to shareholders	(6,078)	–	–	–
Advance to non-controlling shareholders of subsidiaries	(380)	–	1	–
Interest paid	(6,120)	(2,607)	(954)	(229)
Net cash flows from/(used in) financing activities	(14,566)	(24,636)	(25,977)	8,344

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statements of cash flows for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014 (Continued)

	The Disposed Companies for the year ended 31 December 2011	The Disposed Companies for the year ended 31 December 2012	The Disposed Companies for the year ended 31 December 2013	The Disposed Companies for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,830)	(26,087)	(10,628)	(20,150)
Cash and cash equivalents at beginning of year/period	73,375	71,001	44,883	34,955
Effect of foreign exchange rate changes, net	3,456	(31)	700	(256)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	71,001	44,883	34,955	14,549
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances as stated in the combined statement of financial position	55,166	29,669	32,696	20,974
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	15,835	15,214	3,250	3,251
Bank overdrafts	–	–	(991)	(9,676)
Cash and cash equivalents as stated in the combined statement of cash flows	71,001	44,883	34,955	14,549

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statements of changes in equity for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014

	Share capital	Available-for-sale financial asset	PRC statutory reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011	**78**	**4,995**	**57**	**10,334**	**69,320**	**84,784**	**37,931**	**122,715**
Profit/(loss) for the year	–	–	–	–	3,614	3,614	(10,151)	(6,537)
Exchange differences on translation of foreign operations and other comprehensive income for the year	–	–	–	2,330	–	2,330	1,720	4,050
Total comprehensive income/(loss) for the year	–	–	–	2,330	3,614	5,944	(8,431)	(2,487)
Disposal of subsidiaries	–	–	–	(4,047)	–	(4,047)	(12,594)	(16,641)
Changes in ownership interest in a subsidiary	–	–	–	(52)	(182)	(234)	234	–
At 31 December 2011	**78**	**4,995**	**57**	**8,565**	**72,752**	**86,447**	**17,140**	**103,587**
Profit/(loss) for the year	–	–	–	–	12,119	12,119	(352)	11,767
Exchange differences on translation of foreign operations and other comprehensive loss for the year	–	–	–	(1,390)	–	(1,390)	(28)	(1,418)
Total comprehensive income/(loss) for the year	–	–	–	(1,390)	12,119	10,729	(380)	10,349

A. UNAUDITED FINANCIAL INFORMATION OF THE SOUTH CHINA (BVI) GROUP (Continued)

II. NOTES TO THE UNAUDITED FINANCIAL INFORMATION (Continued)

4. COMBINED FINANCIAL INFORMATION OF THE DISPOSED COMPANIES (Continued)

Combined statements of changes in equity for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014 (Continued)

	Share capital	Available-for-sale financial asset	PRC statutory reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012	**78**	**4,995**	**57**	**7,175**	**84,871**	**97,176**	**16,760**	**113,936**
Profit/(loss) for the year	–	–	–	–	9,424	9,424	(140)	9,284
Exchange differences on translation of foreign operations and other comprehensive income for the year	–	–	–	1,527	–	1,527	614	2,141
Total comprehensive income for the year	–	–	–	1,527	9,424	10,951	474	11,425
At 31 December 2013	**78**	**4,995**	**57**	**8,702**	**94,295**	**108,127**	**17,234**	**125,361**
Loss for the period	–	–	–	–	(9,075)	(9,075)	(556)	(9,631)
Exchange differences on translation of foreign operations and other comprehensive loss for the period	–	–	–	(412)	–	(412)	(262)	(674)
Total comprehensive loss for the period	–	–	–	(412)	(9,075)	(9,487)	(818)	(10,305)
At 30 April 2014	**78**	**4,995**	**57**	**8,290**	**85,220**	**98,640**	**16,416**	**115,056**

B(i) PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Introduction

The following is the unaudited pro forma statements of financial position and the unaudited pro forma statements of changes in equity of the Disposal Group as at 31 December 2011, 2012, 2013 and 30 April 2014, and the unaudited pro forma statements of profit or loss and other comprehensive income and the unaudited pro forma statements of cash flows of the Disposal Group for the years and period then ended (collectively known as the "Unaudited Pro Forma Financial Information of the Disposal Group"), together with the accompanying notes, which have been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the financial position and the results and cash flows of the Disposal Group as if the 15% of equity interest of King Link and 35% equity interest of Four Seas had been accounted for by the Disposed Companies at the end of the Relevant Periods and for the Relevant Periods then ended.

The Unaudited Pro Forma Financial Information of the Disposal Group is prepared based on the combined financial information of the Disposed Companies as set out in note 4 to Appendix II A above after giving effect to the pro forma adjustments relating to the accounting of the 15% equity interest of King Link as an available for sale financial asset and 35% equity interest of Four Seas as an associate, as if the respective interests in King Link and Four Seas, had been retained by the Disposed Companies at the beginning of each of the Relevant Periods. For the purpose of this unaudited pro forma financial information, the pro forma adjustments of the 15% interest in King Link and the 35% interest in Four Seas are derived from an applicable percentage of the respective historical financial information of King Link and its subsidiary and of Four Seas as at end of each of the Relevant Periods and for the years/period then ended.

As the Unaudited Pro Forma Financial Information of the Disposal Group 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 Disposed Companies following the retention of the respective investments in King Link and Four Seas.

The Unaudited Pro Forma Financial Information of the Disposal Group is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information of the Disposal Group does not purport to describe the actual financial position, results and cash flows of the Disposed Companies that would have been attained had the respective investments in King Link and Four Seas been retained on 31 December 2011, 2012, 2013 and 30 April 2014, and 1 January 2011, 2012, 2013 and 2014, respectively. The Unaudited Pro Forma Financial Information does not purport to predict the future financial positions or results of the Disposal Group.

The following is the full text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the Company's unaudited pro forma financial information of the Disposal Group for the purpose of this Circular.

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

12 August 2014

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

To the Directors of South China Holdings Limited

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of the Disposal Group (as defined in the Circular) by the directors of South China Holdings Limited (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined statements of financial position as at 31 December 2011, 2012 and 2013 and 30 April 2014, the unaudited pro forma combined statements of profit or loss and other comprehensive income and the unaudited pro forma combined statements of cash flows for each of the three years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014 (the "Relevant Periods"), and the related notes as set out on pages II-2 to II-10 of the circular dated 12 August 2014 (the "Circular") issued by South China Holdings Limited (the "Unaudited Pro Forma Financial Information of the Disposal Group"). The Unaudited Pro Forma Financial Information of the Disposal Group is prepared based on the combined financial information of the Disposed Companies set out in note 4 to Appendix II A of this Circular after giving effect to the 15% equity interest of King Link Group and 35% equity interest of Four Seas, as if the respective investments had been retained by the Disposed Companies at the beginning of each of the Relevant Periods. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information of the Disposal Group are described in the "Introduction" section of the Unaudited Pro Forma Financial Information of the Disposal Group.

The Unaudited Pro Forma Financial Information of the Disposal Group has been compiled by the Directors to illustrate the Disposal Group's financial position as at the end of each of the Relevant Periods after giving effect to the 15% equity interest of King Link Group and 35% equity interest of Four Seas, as if the respective investments had been retained by the Disposed Companies at 31 December 2011, 2012 and 2013 and 30 April 2014, and to illustrate the Disposal Group's financial performance and cash flows for each of the Relevant Periods as if the respective investments had been retained by the Disposed Companies at the beginning of each of the Relevant Periods. As part of this process, information about the financial position, financial performance and cash flows of the Disposed Companies (as defined in the Circular) has been extracted by the Directors from the combined financial information of the Disposed Companies for each of the Relevant Periods set out on pages II-17 to II-35 of the Circular, which we have reviewed in accordance with Hong Kong Standard on Review Engagement 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and with reference to Practice Note 750 *Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Directors' responsibility for the Unaudited Pro Forma Financial Information of the Disposal Group

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information of the Disposal Group 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 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 of the Disposal Group 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 of the Disposal Group 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 of the Disposal Group 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 of the Disposal Group, 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 of the Disposal Group.

The purpose of the Unaudited Pro Forma Financial Information of the Disposal Group included in the Circular is solely to illustrate the financial information of the Disposal Group as if the 15% of equity interest of King Link and 35% equity interest of Four Seas had been accounted for at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual financial information of the Disposal Group would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information of the Disposal Group 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 of the Disposal Group provide a reasonable basis for presenting the significant effects directly attributable to the Group Reorganisation, 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 of the Disposal Group reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, 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 of the Disposal Group has been compiled, and other relevant engagement circumstances.

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

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

Basis for qualified opinion

Paragraph 4.29(4) of the Listing Rules states that pro forma financial information may only be published in respect of (a) the current financial period; (b) the most recently completed financial period; and/or (c) the most recent interim period for which relevant unadjusted information has been or will be published or is being published in the same document; and in the case of a pro forma balance sheet or net asset statement, as at the date on which such periods ends or ended. Accordingly, the inclusion of the Unaudited Pro Forma Financial Information of the Disposal Group for the years ended 31 December 2011 and 2012 does not comply with paragraph 4.29(4) of the Listing Rules which prohibits the presentation of pro forma financial information for any period preceding the most recently completed financial period.

Qualified opinion

In our opinion, except for inclusion of Unaudited Pro Forma Financial Information of the Disposal Group for the years ended 31 December 2011 and 2012 as discussed in the "Basis of qualified opinion" paragraph above,

(a) the Unaudited Pro Forma Financial Information of the Disposal Group 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 of the Disposal Group as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the year ended 31 December 2011

	The Disposed Companies for the year ended 31 December 2011	Interest in King Link and Four Seas for the year ended 31 December 2011 (note)	Disposal Group for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*
Revenue	94,132		94,132
Cost of sales	(2,258)		(2,258)
Gross profit	91,874		91,874
Other income	9,113		9,113
Fair value gain in investment properties	12,800		12,800
Fair value loss on financial assets at fair value through profit or loss	(299)		(299)
Selling and distribution expenses	(78)		(78)
Administrative expenses	(86,008)		(86,008)
Other operating expenses	(5,360)		(5,360)
Profit from operation	22,042		22,042
Finance costs	(4,979)		(4,979)
Share of profit of an associate	–	48	48
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	17,063		17,111
Income tax expense	(4,399)		(4,399)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	12,664		12,712
DISCONTINUED OPERATIONS			
Loss for the year	(19,201)		(19,201)
LOSS FOR THE YEAR	(6,537)		(6,489)

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the year ended 31 December 2011 (Continued)

	The Disposed Companies for the year ended 31 December 2011	Interest in King Link and Four Seas for the year ended 31 December 2011 (note)	Disposal Group for the year ended 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*
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	–	145	145
Exchange differences on translation of foreign operations	4,050		4,050
Other comprehensive income for the year	4,050		4,195
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(2,487)		(2,294)
Profit/(loss) for the year attributable to:			
Owners of the Company	3,614	48	3,662
Non-controlling interests	(10,151)		(10,151)
	(6,537)		(6,489)
Total comprehensive income/(loss) attributable to:			
Owners of the Company	5,944	193	6,137
Non-controlling interests	(8,431)		(8,431)
	(2,487)		(2,294)

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the year ended 31 December 2012

	The Disposed Companies for the year ended 31 December 2012	Interest in King Link and Four Seas for the year ended 31 December 2012 (note)	Disposal Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
Revenue	102,874		102,874
Cost of sales	(2,268)		(2,268)
Gross profit	100,606		100,606
Other income	3,401		3,401
Fair value gain in investment properties	600		600
Fair value gain on financial assets at fair value through profit or loss	6		6
Selling and distribution expenses	(30)		(30)
Administrative expenses	(82,645)		(82,645)
Other operating expenses	(383)		(383)
Profit from operation	21,555		21,555
Finance costs	(5,366)		(5,366)
Share of profit of an associate	–	65	65
PROFIT BEFORE TAX	16,189		16,254
Income tax expense	(4,422)		(4,422)
PROFIT FOR THE YEAR	11,767		11,832

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the year ended 31 December 2012 (Continued)

	The Disposed Companies for the year ended 31 December 2012	Interest in King Link and Four Seas for the year ended 31 December 2012 (note)	Disposal Group for the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
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	–	110	110
Exchange differences on translation of foreign operations	(1,418)		(1,418)
Other comprehensive loss for the year	(1,418)		(1,308)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	10,349		10,524
Profit/(loss) for the year attributable to:			
Owners of the Company	12,119	65	12,184
Non-controlling interests	(352)		(352)
	11,767		11,832
Total comprehensive income/(loss) attributable to:			
Owners of the Company	10,729	175	10,904
Non-controlling interests	(380)		(380)
	10,349		10,524

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the year ended 31 December 2013

	The Disposed Companies for the year ended 31 December 2013	Interest in King Link and Four Seas for the year ended 31 December 2013 (note)	Disposal Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
Revenue	112,105		112,105
Cost of sales	(3,233)		(3,233)
Gross profit	108,872		108,872
Other income	5,831		5,831
Fair value gain in investment properties	300		300
Fair value gain on financial assets at fair value through profit or loss	141		141
Selling and distribution expenses	(27)		(27)
Administrative expenses	(95,223)		(95,223)
Other operating expenses	(1,444)		(1,444)
Profit from operation	18,450		18,450
Finance costs	(3,851)		(3,851)
Share of profit of an associate	–	318	318
PROFIT BEFORE TAX	14,599		14,917
Income tax expense	(5,315)		(5,315)
PROFIT FOR THE YEAR	9,284		9,602

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the year ended 31 December 2013 (Continued)

	The Disposed Companies for the year ended 31 December 2013	Interest in King Link and Four Seas for the year ended 31 December 2013 (note)	Disposal Group for the year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
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	–	99	99
Exchange differences on translation of foreign operations	2,141		2,141
Other comprehensive income for the year	2,141		2,240
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	11,425		11,842
Profit/(loss) for the year attributable to:			
Owners of the Company	9,424	318	9,742
Non-controlling interests	(140)		(140)
	9,284		9,602
Total comprehensive income attributable to:			
Owners of the Company	10,951	417	11,368
Non-controlling interests	474		474
	11,425		11,842

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the four months ended 30 April 2013

	The Disposed Companies for the four months ended 30 April 2013	Interest in King Link and Four Seas for the four months ended 30 April 2013 (note)	Disposal Group for the four months ended 30 April 2013
	HK$'000	*HK$'000*	*HK$'000*
Revenue	33,498		33,498
Cost of sales	(1,493)		(1,493)
Gross profit	32,005		32,005
Other income	1,188		1,188
Fair value gain on financial assets at fair value through profit or loss	142		142
Selling and distribution expenses	(939)		(939)
Administrative expenses	(28,106)		(28,106)
Profit from operation	4,290		4,290
Finance costs	(1,279)		(1,279)
PROFIT BEFORE TAX	3,011		3,011
Income tax expenses	(1,344)		(1,344)
PROFIT FOR THE PERIOD	1,667		1,667

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the four months ended 30 April 2013 (Continued)

	The Disposed Companies for the four months ended 30 April 2013	Interest in King Link and Four Seas for the four months ended 30 April 2013 (note)	Disposal Group for the four months ended 30 April 2013
	HK$'000	*HK$'000*	*HK$'000*
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	4,994	172	5,166
Exchange differences on translation of foreign operations	1,533		1,533
Other comprehensive income for the period	6,527		6,699
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	8,194		8,366
Profit/(loss) for the period attributable to:			
Owners of the Company	2,243		2,243
Non-controlling interests	(576)		(576)
	1,667		1,667
Total comprehensive income attributable to:			
Owners of the Company	7,780	172	7,952
Non-controlling interests	414		414
	8,194		8,366

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the four months ended 30 April 2014

	The Disposed Companies for the four months ended 30 April 2014	Interest in King Link and Four Seas for the four months ended 30 April 2014 (note)	Disposal Group for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*
Revenue	25,717		25,717
Cost of sales	(2,037)		(2,037)
Gross profit	23,680		23,680
Other income	1,044		1,044
Selling and distribution expenses	(5)		(5)
Administrative expenses	(31,086)		(31,086)
Other operating expenses	(759)		(759)
Loss from operation	(7,126)		(7,126)
Finance costs	(1,181)		(1,181)
Share of profit of an associate	–	346	346
LOSS BEFORE TAX	(8,307)		(7,961)
Income tax expense	(1,324)		(1,324)
LOSS FOR THE PERIOD	(9,631)		(9,285)

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of profit or loss and other comprehensive income of the Disposal Group for the four months ended 30 April 2014 (Continued)

	The Disposed Companies for the four months ended 30 April 2014	Interest in King Link and Four Seas for the four months ended 30 April 2014 (note)	Disposal Group for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale financial assets	–	(41)	(41)
Exchange differences on translation of foreign operations	(674)		(674)
Other comprehensive loss for the period	(674)		(715)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(10,305)		(10,000)
Loss for the period attributable to:			
Owners of the Company	(9,075)	346	(8,729)
Non-controlling interests	(556)		(556)
	(9,631)		(9,285)
Total comprehensive loss attributable to:			
Owners of the Company	(9,487)	305	(9,182)
Non-controlling interests	(818)		(818)
	(10,305)		(10,000)

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 31 December 2011

	The Disposed Companies as at 31 December 2011	Interest in King Link and Four Seas as at 31 December 2011 (note)	Disposal Group as at 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	8,171		8,171
Investment property	38,000		38,000
Interest in an associate	–	352	352
Available-for-sale financial assets	461	637	1,098
Other non-current assets	28,368		28,368
Goodwill	2,994		2,994
Total non-current assets	77,994		78,983
CURRENT ASSETS			
Inventories	151		151
Prepayments, deposits, trade and other receivables	265,427		265,427
Financial assets at fair value through profit or loss	357		357
Advance to non-controlling shareholders of subsidiaries	1,778		1,778
Due from affiliates	14,494		14,494
Pledged deposits	15,835		15,835
Cash and cash equivalents	55,166		55,166
Total current assets	353,208		353,208

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 31 December 2011 (Continued)

	The Disposed Companies as at 31 December 2011	Interest in King Link and Four Seas as at 31 December 2011 (note)	Disposal Group as at 31 December 2011
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables and accruals	199,188		199,188
Due to affiliates	3,646		3,646
Tax payable	811		811
Interest-bearing bank and other borrowings	67,188		67,188
Total current liabilities	270,833		270,833
NET CURRENT ASSETS	82,375		82,375
TOTAL ASSETS LESS CURRENT LIABILITIES	160,369		161,358
NON-CURRENT LIABILITIES			
Advance from shareholders	56,782		56,782
Net assets	103,587		104,576
EQUITY			
Share capital	78		78
Reserves	86,369	989	87,358
	86,447		87,436
Non-controlling interests	17,140		17,140
Total equity	103,587		104,576

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 31 December 2012

	The Disposed Companies as at 31 December 2012	Interest in King Link and Four Seas as at 31 December 2012 (note)	Disposal Group as at 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	7,722		7,722
Investment property	38,600		38,600
Interest in an associate	–	417	417
Available-for-sale financial assets	460	747	1,207
Other non-current assets	28,331		28,331
Goodwill	2,994		2,994
Total non-current assets	78,107		79,271
CURRENT ASSETS			
Inventories	88		88
Prepayments, deposits, trade and other receivables	218,514		218,514
Financial assets at fair value through profit or loss	364		364
Advance to non-controlling shareholders of subsidiaries	1,775		1,775
Due from affiliates	14,466		14,466
Pledged deposits	15,214		15,214
Cash and cash equivalents	29,669		29,669
Total current assets	280,090		280,090

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 31 December 2012 (Continued)

	The Disposed Companies as at 31 December 2012	**Interest in King Link and Four Seas as at 31 December 2012** (note)	**Disposal Group as at 31 December 2012**
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables and accruals	136,299		136,299
Due to affiliates	1,940		1,940
Tax payable	1,096		1,096
Interest-bearing bank and other borrowings	45,385		45,385
Total current liabilities	184,720		184,720
NET CURRENT ASSETS	95,370		95,370
TOTAL ASSETS LESS CURRENT LIABILITIES	173,477		174,641
NON-CURRENT LIABILITIES			
Advance from shareholders	59,541		59,541
Net assets	113,936		115,100
EQUITY			
Share capital	78		78
Reserves	97,098	1,164	98,262
	97,176		98,340
Non-controlling interests	16,760		16,760
Total equity	113,936		115,100

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 31 December 2013

	The Disposed Companies as at 31 December 2013	Interests in King Link and Four Seas as at 31 December 2013 (note)	Disposal Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	7,721		7,721
Investment property	38,900		38,900
Interest in an associate	–	735	735
Available-for-sale financial assets	469	846	1,315
Other non-current assets	29,150		29,150
Goodwill	2,994		2,994
Total non-current assets	79,234		80,815
CURRENT ASSETS			
Inventories	90		90
Prepayments, deposits, trade and other receivables	217,981		217,981
Advance to non-controlling shareholders of subsidiaries	1,842		1,842
Due from affiliates	22,661		22,661
Pledged deposits	3,250		3,250
Cash and cash equivalents	32,696		32,696
Total current assets	278,520		278,520

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 31 December 2013 (Continued)

	The Disposed Companies as at 31 December 2013	Interests in King Link and Four Seas as at 31 December 2013 (note)	Disposal Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables and accruals	146,616		146,616
Tax payable	1,997		1,997
Interest-bearing bank and other borrowings	21,342		21,342
Total current liabilities	169,955		169,955
NET CURRENT ASSETS	108,565		108,565
TOTAL ASSETS LESS CURRENT LIABILITIES	187,799		189,380
NON-CURRENT LIABILITIES			
Advance from shareholders	62,438		62,438
Net assets	125,361		126,942
EQUITY			
Share capital	78		78
Reserves	108,049	1,581	109,630
	108,127		109,708
Non-controlling interests	17,234		17,234
Total equity	125,361		126,942

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 30 April 2014

	The Disposed Companies as at 30 April 2014	Interest in King Link and Four Seas as at 30 April 2014 *(note)*	Disposal Group as at 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	7,079		7,079
Investment property	38,900		38,900
Interest in an associate	–	1,081	1,081
Available-for-sale financial assets	469	805	1,274
Other non-current assets	28,795		28,795
Goodwill	2,994		2,994
Total non-current assets	78,237		80,123
CURRENT ASSETS			
Inventories	249		249
Prepayments, deposits, trade and other receivables	226,477		226,477
Advance to non-controlling shareholders of subsidiaries	1,813		1,813
Due from affiliates	53,312		53,312
Pledged deposits	3,251		3,251
Cash and cash equivalents	20,974		20,974
Total current assets	306,076		306,076

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statement of financial position of the Disposal Group as at 30 April 2014 (Continued)

	The Disposed Companies as at 30 April 2014	Interest in King Link and Four Seas as at 30 April 2014 *(note)*	Disposal Group as at 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade and other payables and accruals	164,960		164,960
Tax payable	2,306		2,306
Interest-bearing bank and other borrowings	38,601		38,601
Total current liabilities	205,867		205,867
NET CURRENT ASSETS	100,209		100,209
TOTAL ASSETS LESS CURRENT LIABILITIES	178,446		180,332
NON-CURRENT LIABILITIES			
Advance from shareholders	63,390		63,390
Net assets	115,056		116,942
EQUITY			
Share capital	78		78
Reserves	98,562	1,886	100,448
	98,640		100,526
Non-controlling interests	16,416		16,416
Total equity	115,056		116,942

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statements of cash flows of the Disposal Group for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014

	Disposal Group for the year ended 31 December 2011 *HK$'000*	Disposal Group for the year ended 31 December 2012 *HK$'000*	Disposal Group for the year ended 31 December 2013 *HK$'000*	Disposal Group for the four months ended 30 April 2014 *HK$'000*
Profit/(loss) before tax				
From continuing operation	17,111	16,254	14,917	(7,961)
From discontinued operation	(5,213)	–	–	–
	11,898	16,254	14,917	(7,961)
Adjustments for:				
Finance costs	6,120	5,366	3,851	1,181
Bank interest income	(123)	(172)	(88)	(20)
Impairment of other receivables	5,358	–	–	–
Dividend income from listed investments	(660)	–	–	–
Write-off of trade receivables	–	184	94	640
Depreciation	3,488	2,685	2,712	949
Fair value gain on investment properties	(12,800)	(600)	(300)	–
Amortisation of prepaid land lease payments	21	–	–	–
Fair value loss/(gain) on financial assets at fair value through profit or loss	299	(6)	(141)	–
Loss/(gain) on disposal of items of property, plant and equipment, net	80	200	21	(40)
Write-back of trade and other payables	(2,988)	(49)	(51)	(4)
Share of losses of associates, including Pro Forma adjustment *(Note)*	(40)	(65)	(318)	(346)
	10,653	23,797	20,697	(5,601)

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statements of cash flows of the Disposal Group for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014 (Continued)

	Disposal Group for the year ended 31 December 2011 *HK$'000*	Disposal Group for the year ended 31 December 2012 *HK$'000*	Disposal Group for the year ended 31 December 2013 *HK$'000*	Disposal Group for the four months ended 30 April 2014 *HK$'000*
Decrease/(increase) in inventories	(4,782)	62	3	(157)
Decrease/(increase) in trade and other receivables	(61,649)	46,066	1,338	(9,269)
Movements in balances with affiliates, net	2,978	(1,679)	(10,135)	(30,651)
Increase/(decrease) in trade and other payables and accruals	60,514	(63,288)	9,918	18,618
Cash generated from/(used in) operations	7,714	4,958	21,821	(27,060)
Hong Kong profits tax paid	(5,592)	(3,936)	(4,338)	(1,079)
Mainland China tax paid	(114)	(203)	(78)	(31)
Net cash flows from/(used in) operating activities	2,008	819	17,405	(28,170)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	(6,081)	(2,442)	(2,765)	(384)
Additions to prepaid land lease payments	(981)	–	–	–
Cash received from disposal of subsidiaries, net	12,989	–	–	–
Purchases of available-for-sale financial assets	–	–	(9)	–
Interest received	123	172	88	20
Proceeds from disposal of financial assets at fair value through profit or loss	–	–	505	–
Proceeds from disposal of items of property, plant and equipment	18	–	125	40
Dividends received from listed investments	660	–	–	–
Net cash flows from/(used) in investing activities	6,728	(2,270)	(2,056)	(324)

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statements of cash flows of the Disposal Group for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014 (Continued)

	Disposal Group for the year ended 31 December 2011	Disposal Group for the year ended 31 December 2012	Disposal Group for the year ended 31 December 2013	Disposal Group for the four months ended 30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowings	3,070	132	432,893	112,182
Repayment of bank loans	(5,058)	(22,161)	(457,917)	(103,609)
Repayment to shareholders	(6,078)	–	–	–
Repayment from/(advance to) non-controlling shareholders of subsidiaries	(380)	–	1	–
Interest paid	(6,120)	(2,607)	(954)	(229)
Net cash flows from/(used in) financing activities	(14,566)	(24,636)	(25,977)	8,344
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,830)	(26,087)	(10,628)	(20,150)
Cash and cash equivalents at beginning of year/period	73,375	71,001	44,883	34,955
Effect of foreign exchange rate changes, net	3,456	(31)	700	(256)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	71,001	44,883	34,955	14,549
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances as stated in the pro forma combined statement of financial position	55,166	29,669	32,696	20,974
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	15,835	15,214	3,250	3,251
Bank overdrafts	–	–	(991)	(9,676)
Cash and cash equivalents as stated in the pro forma combined statement of cash flows	71,001	44,883	34,955	14,549

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statements of changes in equity of the Disposal Group for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014

	Share capital *HK$'000*	Available-for-sale financial asset revaluation reserve *HK$'000*	PRC statutory reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2011	**78**	**5,487**	**57**	**10,334**	**69,624**	**85,580**	**37,931**	**123,511**
Profit/(loss) for the year after Pro Forma Adjustment *(Note)*	–	–	–	–	3,662	3,662	(10,151)	(6,489)
Other comprehensive income for the year:								
Pro Forma Adjustment for changes in fair value of available-for-sale financial assets *(Note)*	–	145	–	–	–	145	–	145
Exchange differences on translation of foreign operations	–	–	–	2,330	–	2,330	1,720	4,050
Other comprehensive income for the year	–	145	–	2,330	–	2,475	1,720	4,195
Total comprehensive income/(loss) for the year	–	145	–	2,330	3,662	6,137	(8,431)	(2,294)
Disposal of subsidiaries	–	–	–	(4,047)	–	(4,047)	(12,594)	(16,641)
Changes in ownership interest in a subsidiary	–	–	–	(52)	(182)	(234)	234	–
At 31 December 2011	**78**	**5,632**	**57**	**8,565**	**73,104**	**87,436**	**17,140**	**104,576**
Profit/(loss) for the year after Pro Forma Adjustment *(Note)*	–	–	–	–	12,184	12,184	(352)	11,832
Other comprehensive income for the year:								
Pro Forma Adjustment for changes in fair value of available-for-sale financial assets *(Note)*	–	110	–	–	–	110	–	110
Exchange differences on translation of foreign operations	–	–	–	(1,390)	–	(1,390)	(28)	(1,418)
Other comprehensive income/(loss) for the year	–	110	–	(1,390)	–	(1,280)	(28)	(1,308)
Total comprehensive income/(loss) for the year	–	110	–	(1,390)	12,184	10,904	(380)	10,524
At 31 December 2012	**78**	**5,742**	**57**	**7,175**	**85,288**	**98,340**	**16,760**	**115,100**

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Pro forma combined statements of changes in equity of the Disposal Group for the years ended 31 December 2011, 2012, 2013 and four months ended 30 April 2014 (Continued)

	Share capital *HK$'000*	Available-for-sale financial asset revaluation reserve *HK$'000*	PRC statutory reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 31 December 2012	**78**	**5,742**	**57**	**7,175**	**85,288**	**98,340**	**16,760**	**115,100**
Profit/(loss) for the year after Pro Forma Adjustment *(Note)*	–	–	–	–	9,742	9,742	(140)	9,602
Other comprehensive income for the year:								
Pro Forma Adjustment for changes in fair value of available-for-sale financial assets *(Note)*	–	99	–	–	–	99	–	99
Exchange differences on translation of foreign operations	–	–	–	1,527	–	1,527	614	2,141
Other comprehensive income for the year	–	99	–	1,527	–	1,626	614	2,240
Total comprehensive income for the year	–	99	–	1,527	9,742	11,368	474	11,842
At 31 December 2013	**78**	**5,841**	**57**	**8,702**	**95,030**	**109,708**	**17,234**	**126,942**
Loss for the period after Pro Forma Adjustment *(Note)*	–	–	–	–	(8,729)	(8,729)	(556)	(9,285)
Other comprehensive loss for the period:								
Pro Forma Adjustment for changes in fair value of available-for-sale financial assets *(Note)*	–	(41)	–	–	–	(41)	–	(41)
Exchange differences on translation of foreign operations	–	–	–	(412)	–	(412)	(262)	(674)
Other comprehensive loss for the period	–	(41)	–	(412)	–	(453)	(262)	(715)
Total comprehensive loss for the period	–	(41)	–	(412)	(8,729)	(9,182)	(818)	(10,000)
At 30 April 2014	**78**	**5,800**	**57**	**8,290**	**86,301**	**100,526**	**16,416**	**116,942**

Note:

The pro forma adjustments reflect the effects of the 15% equity interest in King Link and 35% equity interest in Four Seas owned by the Disposal Group as at 31 December 2011, 2012, 2013 and 30 April 2014 measured based on the applicable percentage of the respective historical financial information of King Link and Four Seas as if these interests had been in existence during the respective years/period.

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Notes to the pro forma financial information of the Disposal Group

1. OPERATING SEGMENT INFORMATION

For the purpose of this report, additional unaudited financial information regarding the business units operated by the Disposal Group is presented based on their products and services with three operating segments as follows.

(a) the Travel Agent Business (Corporate) services segment involves the sale of air-tickets, other travel related and other services to corporate customers;

(b) the Travelling Services Business and other services segment involves the sale of air-tickets, other travel related and other services to non-corporate customers;

(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/(loss) before tax is measured consistently with the profit/(loss) 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 2011

	Travel Agent Business (Corporate) *HK$'000*	Travelling Services Business and other services *HK$'000*	Investment holding *HK$'000*	Total continuing operations of the Disposal Group *HK$'000*
Segment revenue:				
Sales to external customers	37,620	56,512	–	94,132
Segment results	16,937	9,444	(4,339)	22,042
Reconciliation:				
Finance costs				(4,979)
Share of profits of associates (Pro Forma Adjustment *(Note)*)				48
Profit before tax				17,111
Segment assets and total assets, after Pro Forma Adjustment *(Note)*	42,797	281,539	107,855	432,191
Segment liabilities	30,542	165,451	63,623	259,616
Reconciliation:				
Corporate and other unallocated liabilities				67,999
Total liabilities				327,615

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Notes to the pro forma financial information of the Disposal Group (Continued)

1. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Travel Agent Business (Corporate)	Travelling Services Business and other services	Investment holding	The Disposal Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	32,862	70,012	–	102,874
Segment results	11,509	15,027	(4,981)	21,555
Reconciliation:				
Finance costs				(5,366)
Share of profit of associates (Pro Forma Adjustment *(Note)*)				65
Profit before tax				16,254
Segment assets and total assets, after Pro Forma Adjustment *(Note)*	36,081	215,392	107,888	359,361
Segment liabilities	28,316	106,626	62,838	197,780
Reconciliation:				
Corporate and other unallocated liabilities				46,481
Total liabilities				244,261

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Notes to the pro forma financial information of the Disposal Group (Continued)

1. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2013

	Travel Agent Business (Corporate) *HK$'000*	Travelling Services Business and other services *HK$'000*	Investment holding *HK$'000*	The Disposal Group *HK$'000*
Segment revenue:				
Sales to external customers	35,336	76,769	–	112,105
Segment results	14,659	20,847	(17,056)	18,450
Reconciliation:				
Finance costs				(3,851)
Share of profit of associates (Pro Forma Adjustment *(Note)*)				318
Profit before tax				14,917
Segment assets and total assets, after Pro Forma Adjustment *(Note)*	23,232	220,700	115,403	359,335
Segment liabilities	33,293	110,312	65,449	209,054
Reconciliation:				
Corporate and other unallocated liabilities				23,339
Total liabilities				232,393

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Notes to the pro forma financial information of the Disposal Group (Continued)

1. OPERATING SEGMENT INFORMATION (Continued)

Four months ended 30 April 2014

	Travel Agent Business (Corporate)	Travelling Services Business and other services	Investment holding	The Disposal Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to external customers	–	25,717	–	25,717
Segment results	–	2,794	(9,920)	(7,126)
Reconciliation:				
Finance costs				(1,181)
Share of profit of associates (Pro Forma Adjustment *(Note)*)				346
Loss before tax				(7,961)
Segment assets and total assets, after Pro Forma Adjustment *(Note)*	–	243,780	142,419	386,199
Segment liabilities	–	163,994	64,356	228,350
Reconciliation:				
Corporate and other unallocated liabilities				40,907
Total liabilities				269,257

B. PRO FORMA FINANCIAL INFORMATION OF THE DISPOSAL GROUP (Continued)

Notes to the pro forma financial information of the Disposal Group (Continued)

2. INCOME TAX

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

3. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Disposal Group are trade receivables of approximately HK$222,287,000, HK$171,134,000, HK$181,724,000 and HK$180,628,000 as at 31 December 2011, 2012, 2013 and 30 April 2014, respectively. The Group's trading terms with its customers are on credit with credit periods ranging from one to three months for the Relevant Periods, 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 31 December 2011	**As at 31 December 2012**	**As at 31 December 2013**	**As at 31 April 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	212,363	162,478	175,698	173,173
91 to 180 days	9,398	4,745	4,850	6,590
181 to 365 days	458	2,355	953	827
Over 365 days	68	1,556	223	38
	222,287	171,134	181,724	180,628

4. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of approximately HK$152,262,000, HK$86,295,000, HK$91,161,000 and HK$125,540,000 as at 31 December 2011, 2012, 2013 and 30 April 2014 and an ageing analysis of the trade payables as at the end of reporting period, based on invoice date, is as follows:

	As at 31 December 2011	**As at 31 December 2012**	**As at 31 December 2013**	**As at 31 April 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	151,265	85,103	89,358	124,034
91 to 180 days	289	184	265	101
181 to 365 days	138	170	608	103
Over 365 days	570	838	930	1,302
	152,262	86,295	91,161	125,540

The following is the full text of a report of the unaudited pro forma financial information of the Remaining Group, prepared for the purpose of inclusion in this circular, received from the auditors of the Company, Ernst & Young.

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

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.

The following in the full text of a letter on profit estimates included in the Circular received from the reporting accountants of the Company.

EY

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

12 August 2014

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

Dear Sirs,

Profit Estimates for each of the three years ended 31 December 2011, 2012 and 2013 and for the four months ended 30 April 2014 (the "Profit Estimates")

We refer to the following Profit Estimates as set out in the section headed "Letter from the Board", "Financial information of the Group" in Appendix I and "Financial Information of the Disposal Group" in Appendix II to the circular dated 12 August 2014 of South China Holdings Limited (the "Company") in connection with, among other matters, the very substantial disposal of South China (BVI) Limited and certain of its subsidiaries (the "Circular"). These Profit Estimates are required to be reported on under Rule 10 of the Hong Kong Code of Takeovers and Mergers issued by the Securities and Futures Commission ("Rule 10 of the Takeovers Code").

Profit estimates set out in section headed "Letter from the Board"

The unaudited profit/(loss) before tax of the South China (BVI) Group set out below, which excludes the loss from discontinued operations for the year ended 31 December 2011, are extracted from the Circular on page II-2.

	For the years ended			For the four months ended
	31 December 2011	31 December 2012	31 December 2013	30 April 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(387)	24,086	27,484	(16,323)

The unaudited profit/(loss) before tax of the Disposed Companies set out below, which excludes the loss from discontinued operations for the year ended 31 December 2011, are extracted from the Circular on pages II-17, II-19, II-21 and II-23.

	For the years ended			For the four months ended
	31 December 2011	**31 December 2012**	**31 December 2013**	**30 April 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	17,063	16,189	14,599	(8,307)

Profit estimates set out in Appendix I

The unaudited profit/(loss) before tax of the Remaining Group set out below are extracted from the Circular on page I-3.

	For the year ended			For the four months ended
	31 December 2011	**31 December 2012**	**31 December 2013**	**30 April 2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) before tax	(17,535)	7,818	12,807	(8,016)

The unaudited loss before tax of the Group of HK$16,323,000 for the four months ended 30 April 2014 is extracted from the Circular on page I-4.

Profit estimates set out in Appendix II

The unaudited pro forma profit/(loss) for the year/period of the Disposal Group set out below are extracted from the Circular on pages II-41, II-43, II-45 and II-49.

	For the year ended			For the four months ended 30 April 2014
	31 December 2011	**31 December 2012**	**31 December 2013**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) for the year/period	(6,489)	11,832	9,602	(9,285)

Responsibilities

The Profit Estimates of the Group, South China (BVI) Group, the Disposed Companies, the Disposal Group and the Remaining Group have been prepared by the directors of the Company. The Profit Estimates of the Group have been prepared based on the unaudited consolidated management accounts of the Company and its subsidiaries for the four months ended 30 April 2014. The Profit Estimates of the South China (BVI) Group have been prepared based on the unaudited consolidated management accounts of South China (BVI) Limited and its subsidiaries for each of the three years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014. The Profit Estimates of the Disposed Companies have been prepared based on the Profit Estimates of the South China (BVI) Group after adjustments to exclude the results of King Link and its subsidiary, Four Seas and Worldunity, as the Remaining Business Companies retained by the Company after the disposal. The Profit Estimates of the Disposal Group have been prepared based on the Profit Estimates of the Disposed Companies after giving effect to the pro forma adjustments relating to the accounting of the 15% equity interest of King Link as an available for sale financial asset and 35% equity interest of Four Seas as an associate calculated on bases and assumptions as set out further in our report extracted in pages II-41 to II-50 of the Circular. The Profit Estimates of the Remaining Group have been prepared based on the results of the Group after adjustments to exclude the results of South China (BVI) Group and include the results of the Remaining Business Companies. The Company's directors are solely responsible for the preparation of the Profit Estimates. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Estimates based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "*Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness*" and with reference to Hong Kong Standard on Assurance Engagements 3000 "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimates in accordance with the bases made by the directors and as to whether the Profit Estimates are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimates of the Group, South China (BVI) Group, the Disposed Companies, the Disposed Group and the Remaining Group have been properly compiled in accordance with the bases adopted by the directors as set out in pages I-4, 60, 65, II-36 and I-3 of the Circular, respectively, and are presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group which are set out in its latest annual financial statements.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

The following is the full text of a letter on profit estimate included on the circular received from the Independent Financial Adviser of the Company.

Hercules

Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

12 August 2014

South China Holdings Limited
28/F., Bank of China Tower
1 Garden Road
Central, Hong Kong

Attn: The Board of Directors

Dear Sirs,

We refer to the profit estimates of (i) the unaudited consolidated statements of profit or loss and other comprehensive income of the South China (BVI) Group (the "South China (BVI) Estimates"); and (ii) the unaudited combined statement of profit or loss and other comprehensive income of the Disposed Companies (the "Disposed Companies Estimates") for the three years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 prepared by the Directors as set out in Section A of Appendix II to the circular of the Company dated 12 August 2014 (the "Circular"), of which this letter forms part; (iii) the unaudited pro forma statement of profit or loss and other comprehensive income of the Disposal Group (the "Disposal Group Estimates") for the three years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 prepared by the Directors as set out in Section B of Appendix II to the Circular; (iv) the unaudited results of the Group for the four months ended 30 April 2014 (the "Group Estimates") prepared by the Directors as set out in Appendix I to the Circular; and (v) the unaudited results of the Remaining Group for the three years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014 (the "Remaining Group Estimates") prepared by the Directors as set out in Appendix I to the Circular (collectively, the "Profit Estimates"). Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

We understand that (i) the South China (BVI) Estimates have been prepared based on the unaudited consolidated management accounts of South China (BVI) and its subsidiaries for each of the three years ended 31 December 2011, 2012 and 2013 and the four months ended 30 April 2014; (ii) the Disposed Companies Estimates have been prepared based on the South China (BVI) Estimates and adjusted by excluding the results of Four Seas, King Link and its subsidiary and Worldunity as extracted from their audited financial statements for each of the three years ended 31 December 2011, 2012 and 2013 and the unaudited management accounts for the four months ended 30 April 2014; (iii) the Disposal Group Estimates have been prepared based on the Disposed Companies Estimates and taking into account the 15% equity interest of King Link as an available for sale financial asset and 35% equity interest of Four Seas as an associate as if the respective interests in King Link and Four Seas had been retained by the Disposed Companies at the beginning of each of the relevant periods; (iv) the Group Estimates have been prepared based on the unaudited consolidated management accounts of the Group for the four months ended 30 April 2014; and (v) the Remaining Group Estimates have been prepared based on the audited consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2011, 2012 and 2013 and the Group Estimates and adjusted by deducting the South China (BVI) Estimates and including the results of the Remaining Business Companies as set out in Appendix II to the Circular.

We have reviewed the Profit Estimates and have discussed with you the basis and assumptions for the preparation of the Profit Estimates. We have also considered the letter issued by Ernst & Young dated 12 August 2014 addressed to the Company regarding the compilation and accounting policies upon which the Profit Estimates have been made.

On the basis of the foregoing, we are satisfied that the Profit Estimates, for which you as the Directors are solely responsible, have been made after due care and consideration.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 May 2014 of the property held by the Group located in Hong Kong.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33rd Floor, Shui On Centre, Nos. 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

12 August 2014

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

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from South China Holdings Limited (the "Company") for us to value the property held by the Company and/or its subsidiaries (together referred to as the "Group") located in Hong Kong. We confirm that we have conducted an inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 May 2014 (the "valuation date").

BASIS OF VALUATION

Our valuation of the property will be based on the Market Value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

In valuing the property held by the Group, we have valued it on market basis by the Comparison Approach assuming sale in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the property and the comparables in terms of time, location, accessibility and other relevant factors.

TITLE INVESTIGATION

We have caused land searches to be made at the Land Registry and have been advised by the Group that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the property is sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the value of the property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no forced sale situation in any manner is assumed in our valuation.

VALUATION CONSIDERATIONS

Inspection of the property was conducted by Ms. Ellen Lo (BSc in Valuation & Estate Management) in February 2014. In the course of our valuation, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site area, identification of the property and other relevant information.

We inspected the property externally. In the course of our inspection, we did not note any serious defects. However, no structural survey has been made. We are, therefore, unable to report whether the property is free from rot, infestation or any other structural defects. No tests were carried out on any of its services.

We have not carried out detailed on-site measurements to verify the correctness of the site areas in respect of the property but have assumed that the site areas shown on the documents handed to us are correct.

Except otherwise stated, dimensions, measurements and site areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

For the purpose of compliance with Rule 11.3 of the Code on Takeovers and Mergers and as advised by the Group that no potential tax liabilities may arise from the sale of the property. Also, the likelihood of any potential tax liability being crystallised is remote as the Group has no intention to sell the property.

Our valuation has been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Rule 11 of the Code on Takeovers and Mergers.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (HK$).

Our summary of value and the valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Joannau W.F. Chan
BSc., MSc., MRICS, MHKIS, RPS(GP)
Senior Director

Note:

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 21 years' experience in valuations of properties in Hong Kong.

SUMMARY OF VALUE

Property held for investment by the Group in Hong Kong

Property	**Market Value in existing state as at 31 May 2014** *HK$*
Lot Nos. 116-121, 123-126, 127A, 127R.P., 129-135, 136A, 136R.P., 137, 140, 141A, 141B, 141C, 143, 144, 145, 146A, 146R.P. and 148 in Demarcation District No. 236, Tai Wan Tau, Clear Water Bay, New Territories, Hong Kong	38,900,000
Total:	**38,900,000**

VALUATION CERTIFICATE

Property held for investment by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2014 *HK$*
Lot Nos. 116-121, 123-126, 127A, 127R.P., 129-135, 136A, 136R.P., 137, 140, 141A, 141B, 141C, 143, 144, 145, 146A, 146R.P. and 148 in Demarcation District No. 236, Tai Wan Tau, Clear Water Bay, New Territories, Hong Kong	The property comprises various irregular-shaped agricultural lots on the southern side of Clear Water Bay Road in Clear Water Bay. The total site area of the property is approximately 54,887 sq.ft. (or about 5,099.13 sq.m.). The property is held under a government lease for a term of 75 years renewable for 24 years less the last 3 days commencing on 1 July 1898. The said term has been extended to 30 June 2047 by virtue of the New Territories Leases (Extension) Ordinance 1988.	The property is vacant.	38,900,000

Notes:

1. The registered owners of the property are summarised as below:

Lot No.	Registered Owner	Memorial No.	Instrument Date
116, 121, 126 & 130	Glad Light Investment Limited	SK156328	30 March 1990
117, 140, 141A, 141B & 144	Winfound Investments Limited	SK303030	5 December 1997
118, 127RP, 134, 137, 145, 146RP & 148	Jadeland Investment Limited	SK199868	5 January 1993
119, 123, 125 & 135	Glad Light Investment Limited	SK156330	30 March 1990
120, 127A & 146A	Glad Light Investment Limited	SK156737	16 May 1990
124	Glad Light Investment Limited	SK156327	30 March 1990
129	Glad Light Investment Limited	SK157091	1 May 1990
131	Winfound Investments Limited	SK220905	7 May 1994
132 & 133	Glad Light Investment Limited	SK156735	1 May 1990
136A	Winfound Investments Limited	SK213966	17 November 1993
136RP	Winfound Investments Limited	SK213965	17 November 1993
141C	Glad Light Investment Limited	SK157092	1 May 1990
143	Glad Light Investment Limited	SK157090	1 May 1990
145, 146RP & 148	Jadeland Investment Limited	SK199868	5 January 1993

2. Particulars of the constituent lots are summarised as below:

Lot No.	Site Area (acre) approx.	Site Area (sq.ft.) approx.	Description of Lot	Zoning
116	0.09	3,920	Padi	Village Type Development
117	0.01	436	Padi	Village Type Development

Lot No.	Site Area (acre) approx.	Site Area (sq.ft.) approx.	Description of Lot	Zoning
118	0.1	4,356	Padi	Village Type Development
119	0.09	3,920	Padi	Village Type Development
120	0.01	436	Padi	Village Type Development
121	0.01	436	Padi	Village Type Development
123	0.02	871	Padi & Waste	Village Type Development
124	0.01	436	Padi & Waste	Village Type Development
125	0.01	436	Padi & Waste	Village Type Development
126	0.02	871	Padi & Waste	Village Type Development
127A	0.03	1,307	Padi & Waste	Village Type Development
127R.P.	0.03	1,307	Padi & Waste	Village Type Development
129	0.06	2,614	Padi & Waste	Village Type Development
130	0.05	2,178	Padi & Waste	Village Type Development
131	0.02	871	Padi & Waste	Village Type Development
132	0.06	2,614	Padi	Village Type Development
133	0.09	3,920	Padi	Village Type Development
134	0.02	871	Padi	Village Type Development
135	0.14	6,098	Padi	Village Type Development
136A	0.005	218	Padi	Village Type Development
136R.P.	0.005	218	Padi	Village Type Development
137	0.02	871	Padi	Village Type Development
140	0.02	871	Padi	Village Type Development
141A	0.02	871	Padi	Village Type Development
141B	0.02	871	Padi	Village Type Development
141C	0.03	1,307	Padi	Village Type Development
143	0.04	1,742	Padi	Village Type Development
144	0.01	436	Dry Cultivation	Village Type Development
145	0.03	1,307	Padi	Green Belt
146A	0.08	3,485	Padi & Waste	Green Belt
146R.P.	0.08	3,485	Padi & Waste	Green Belt
148	0.03	1,307	Padi	Green Belt
Total:	**1.26**	**54,887**		

3. The property is zoned under the Clear Water Bay Peninsula South – Outline Zoning Plan No. S/SK-CWBS/2 dated 30 May 2006 for village-type development and green belt uses.

4. There are no material encumbrances registered against the property.

5. Glad Light Investment Limited, Jadeland Investment Limited and Winfound Investments Limited are wholly-owned subsidiaries of the Company.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Information and confirmation relating to Parkfield Holdings Limited, Fung Shing Group Limited, Ronastar Investments Limited, Bannock, Earntrade and the Offeror set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

	HK$
Authorised share capital:	
4,000,000,000 Shares of HK$0.025 each	100,000,000.0
Issued and fully paid up:	
1,823,401,376 Shares of HK$0.025 each	45,585,034.4

All issued Shares rank equally in all respect, including in particular as to dividend, voting rights and return on capital.

The Shares are listed and traded on the Main Board of the Stock Exchange. None of the Shares is listed, or dealt in, on other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

3. SHARE OPTIONS

As at the Latest Practicable Date, the Company had no outstanding securities, options, warrants or derivatives which are convertible into or which confer rights to require the issue of Shares and the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Director or chief executives of the Company was taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange were as follows:

(i) Long positions in the Shares

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

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company had any interest or short position in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the parties (other than the Directors and the chief executives of the Company) which had interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in the Shares

Name of Shareholders	Capacity	Number of ordinary Shares	Approximate percentage of shareholding to total issued ordinary Shares
Mr. Shi	Interest of a controlled corporation	1,185,210,894 *(Note 1)*	65.00%
The Offeror	Beneficial owner	1,185,210,894	65.00%
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 *(Note 2)*	26.76%

Name of Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Bannock	Beneficial owner	237,303,360 *(Note 2)*	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%
Ng Lai King, Pamela	Interest of spouse	1,344,181,812 *(Note 3)*	73.72%

Notes:

1. The Offeror is wholly-owned by Mr. Shi.

2. Bannock was a wholly-owned subsidiary of Earntrade. The 487,949,760 shares in the Company held by Earntrade included 237,303,360 shares held by Bannock directly.

3. Ms. Ng Lai King, Pamela is the spouse of Mr. Ng and is deemed to be interested in 1,344,181,812 Shares Mr. Ng is interested in.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who had any other interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng is an executive Director and the controlling shareholder of South China (China) Limited ("SCC") and South China Land Limited ("SCL").

Mr. Ng Yuk Fung Peter ("Mr. Peter Ng"), Ms. Cheung and Mr. Gorges are the executive directors of both SCC and SCL while Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng") is a non-executive director of SCC and SCL. Ms. Cheung and Mr. Gorges also hold certain corporate interests in SCC and SCL jointly with Mr. Ng.

Certain subsidiaries of SCC and SCL are engaged in property investment and development business which may compete with the businesses of the Group.

Mr. Ng and Mr. Peter Ng are the directors and the shareholders of Anwell Profits Limited ("Anwell") which engages in the information technology business.

Accordingly, each of Mr. Ng, Mr. Peter Ng, Ms. Jessica Ng, Ms. Cheung and Mr. Gorges is regarded as interested in such competing business of the Group.

The Directors are of the view that the Group can carry on its property investment and development business independently of and at arm's length from the business of SCC and SCL as there is no direct competition amongst the three listed groups. For information technology business, the Group has its own target markets which are different from Anwell.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

6. DIRECTOR'S OTHER INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of and save as disclosed in the paragraph headed "Directors' Interests in Competing Business" in this appendix, none of themselves or their respective associates had any interest in a business which competes or may compete with the business of the Group or any other conflicts of interest within the Group.

As at the Latest Practicable Date, save and except the transaction contemplated under the Disposal Agreement, the Service Agreement and the Deed of Assignment none of the Directors had any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up.

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested and which is significant to the business of the Group save and except the transaction contemplated under the Disposal Agreement, the Service Agreement and the Deed of Assignment.

7. LITIGATION

Save as disclosed in the paragraph headed "The Deed of Assignment" of the "Letter from the Board" in this circular, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

It is expected that, the Directors (including the non-executive Directors and independent non-executive Directors) will resign from their office immediately after the close of the Offers (or such other time as permitted by the Takeovers Code). The Offeror intends to nominate new Directors to the Board and such appointments will not take effect earlier than the date of posting of the offer document in relation to the Offer or such other date as permitted under the Takeovers Code. Further announcement will be made by the Company in respect of the changes to the Board pursuant to Rule 13.51(2) of the Listing Rules as and when appropriate.

9. MATERIAL CONTRACTS

The Disposal Agreement, not being contract entered into in the ordinary course of business, had been entered into by members of the Group after the date falling two years prior to the issue of this circular and up to the Latest Practicable Date and which is or may be material.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Hercules Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants
BMI Appraisals Limited	Independent professional property valuer

(a) As at the Latest Practicable Date, each of Hercules Capital Limited, Ernst & Young and BMI Appraisals Limited had no 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 of any member of the Group.

(b) As at the Latest Practicable Date, each of Hercules Capital Limited, Ernst & Young and BMI Appraisals Limited did not have any interest, direct or indirect, in any assets which have been, since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Each of Hercules Capital Limited, Ernst & Young and BMI Appraisals Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

11. MISCELLANEOUS

(i) The registered office of the Company is situated at Floor 4, Williow House, Cricker Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands and the head office and principal place of business in Hong Kong is at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

(ii) The share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited of 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(iii) The company secretary of the Company is To Suen Fan, who is an associate member of each of the Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants.

(iv) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 9:00 a.m. to 5:00 p.m. at the Company's principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on any weekday other than public holidays, from the date of this circular up to and including the date of the EGM:

(i) the memorandum of association and the articles of association of the Company;

(ii) the annual reports of the Company for each of the two financial years ended 31 December 2012 and 2013;

(iii) the letter from the Board, the text of which is set out in pages 12 to 70 of this circular;

(iv) the letter of recommendation from the Takeovers Code Independent Board Committee, the text of which is set out in this circular;

(v) the letter of recommendation from the Listing Rules Independent Board Committee, the text of which is set out in this circular;

(vi) the letter from Hercules Capital Limited, the text of which is set out in this circular;

(vii) the written consents of the experts referred to in the section headed "Qualification and Consent of Experts" in this Appendix;

(viii) the material contract referred to in the section headed "Material Contracts" in this Appendix;

(ix) the service contracts referred to in the section headed "Directors' Service Contracts" in this appendix;

(x) the letters from the reporting accountants and the Independent Financial Adviser, the text of which are set out in Appendix IV of this circular;

(xi) the valuation report, the text of which is set out in this circular;

(xii) the Share Purchase Agreement; and

(xiii) this circular.

SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "Meeting") of South China Holdings Limited (the "Company") will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 29 August 2014 at 3:00 p.m. for the following purposes:

ORDINARY RESOLUTIONS

1. "**THAT** the Disposal Agreement (as defined in the circular dated 12 August 2014 issued by the Company to its shareholders ("**Circular**") accompanying the notice convening this extraordinary general meeting of which this resolution forms part) for the disposal of the entire issued share capital of South China (BVI) Limited ("**South China (BVI)**") dated 30 April 2014 and amended by a supplemental agreement dated 24 June 2014 between the Company as the vendor and Tremendous Success Holdings Limited ("**Tremendous Success**") as the purchaser, under which the entire issued share capital of South China (BVI) shall be sold by the Company to Tremendous Success at a total cash consideration of HK$95,466,000 subject to the terms and conditions contained therein, and the transactions contemplated under the Disposal Agreement be and are hereby approved, confirmed and ratified; and any one director of the Company be and is hereby authorised to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the Disposal Agreement and to do and take all such action, steps, deeds and things in such manner and to sign all documents as he/she may deem necessary, desirable or appropriate to give effect to the Disposal Agreement and the transactions contemplated under it."

2. "**THAT**, subject to completion of the Disposal Agreement in accordance with its terms, the King Link Shareholders' Agreement (as defined in the Circular) to govern the shareholders' interests in King Link on the terms and conditions described in the section headed "The King Link Shareholders' Agreement" of the "Letter from the Board" in the Circular be and is hereby approved; and any one director of the Company be and is hereby authorised to make, sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the entering of the King Link Shareholders' Agreement and to do and take all such action, steps, deeds and things in such manner and to sign all documents as he/she may deem necessary, desirable or appropriate to give effect to it."

3. "**THAT**, subject to completion of the Disposal Agreement in accordance with its terms, the Four Seas Shareholders' Agreement (as defined in the Circular) to govern the shareholders' interests in Four Seas on the terms and conditions described in the section headed "The Four Seas Shareholders' Agreement" of the "Letter from the Board" in the Circular be and is hereby approved; and any one director of the Company be and is hereby authorised to make, sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the entering of the Four Seas Shareholders' Agreement and to do and take all such action, steps, deeds and things in such manner and to sign all documents as he/she may deem necessary, desirable or appropriate to give effect to it."

4. "**THAT**, subject to completion of the Disposal Agreement on the terms and conditions described in the section headed "The Service Agreement" of the "Letter from the Board" in the Circular be and is hereby approved; and any one director of the Company be and is hereby authorised to make, sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the entering of the Service Agreement and to do and take all such action, steps, deeds and things in such manner and to sign all documents as he/she may deem necessary, desirable or appropriate to give effect to it."

5. "**THAT**, prior to completion of the Disposal Agreement in accordance with its terms, the Deed of Assignment (as defined in the Circular) on the terms and conditions described in the section headed "The Deed of Assignment" of the "Letter from the Board" in the Circular be and is hereby approved; and any one director of the Company be and is hereby authorised to make, sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the entering of the Deed of Assignment and to do and take all such action, steps, deeds and things in such manner and to sign all documents as he/she may deem necessary, desirable or appropriate to give effect to it."

6. "**THAT**, subject to completion of the Disposal Agreement in accordance with its terms, the distribution ("**Distribution**") in cash of approximately HK$0.0348 per share to the holders of the ordinary shares of HK$0.025 each in the issued share capital of the Company whose names appear in the register of members of the Company as at the close of business of the Record Date (as defined in the Circular) be and is hereby approved; and any one director of the Company be and is hereby authorised to make, sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with such Distribution and to do and take all such action, steps, deeds and things in such manner and to sign all documents as he/she may deem necessary, desirable or appropriate to give effect to the Distribution, including without limitation to exercise the powers and authorities conferred under the articles of association of the Company and the applicable law and regulations in Hong Kong and the Cayman Islands in respect of the Distribution."

By order of the board of
South China Holdings Limited
Cheung Choi Ngor
Executive Director

Hong Kong, 12 August 2014

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

Notes:

1. A member entitled to attend and vote at the meeting of the Company convened by the above notice is entitled to appoint one or more proxy to attend and vote on his behalf. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.

2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the office of the Company's Hong Kong share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 48 hours before the time of holding the meeting of the Company or any adjourned meeting.

3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. As at the date of this notice, the board of Directors comprises Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor 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.