SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

GROUP RESULTS

The board of directors (the “Board”) of South China Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	***2013*** ***HK$’000***	*2012* *HK$’000*
Revenue	*2*	**200,556**	164,169
Cost of sales		**(77,110)**	(50,267)
Gross profit		**123,446**	113,902
Other income		**6,462**	3,894
Fair value gain on investment properties		**300**	600
Fair value gain on financial assets at fair value through profit or loss		**11,323**	6,191
Selling and distribution expenses		**(7,509)**	(7,332)
Administrative expenses		**(100,055)**	(85,766)
Other operating expenses		**(1,444)**	(387)
Profit from operations	*2*	**32,523**	31,102
Finance costs	*3*	**(5,117)**	(7,095)
Profit before tax	*4*	**27,406**	24,007

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

	Notes	***2013*** ***HK$'000***	*2012* *HK$'000*
Profit before tax	*4*	**27,406**	24,007
Income tax expense	*5*	**(5,533)**	(4,811)
Profit for the year		**21,873**	19,196
Attributable to:			
- Owners of the Company		**21,812**	19,154
- Non-controlling interests		**61**	42
		21,873	19,196
Earnings per share attributable to owners of the Company	*6*		
Basic and diluted		**HK1.2 cents**	HK1.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	*As at 31 December* ***2013*** ***HK$'000***	*2012* *HK$'000*
Non-current assets			
Property, plant and equipment		**8,015**	8,031
Investment properties		**38,900**	38,600
Available-for-sale financial assets		**48,566**	44,710
Other non-current assets		**29,150**	28,331
Goodwill		**2,994**	2,994
Total non-current assets		**127,625**	122,666
Current assets			
Inventories		**31,970**	30,038
Trade and other receivables	*7*	**231,415**	220,863
Financial assets at fair value through profit or loss		**40,916**	30,098
Advances to non-controlling shareholders of subsidiaries		**1,878**	1,775
Tax recoverable		**146**	-
Pledged bank deposits		**3,250**	15,214
Cash and bank balances		**34,229**	31,854
Total current assets		**343,804**	329,842
Current liabilities			
Trade and other payables	*8*	**155,572**	143,320
Interest-bearing bank and other borrowings		**37,419**	62,750
Advances from non-controlling shareholders of subsidiaries		**-**	25
Tax payable		**1,997**	1,166
Total current liabilities		**194,988**	207,261
Net current assets		**148,816**	122,581
Total assets less current liabilities		**276,441**	245,247
Non-current liabilities			
Advances from shareholders		**62,438**	59,541
Net assets		**214,003**	185,706

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December	
	2013	*2012*
	HK$'000	*HK$'000*
Equity		
Equity attributable to owners of the Company		
Issued capital	**45,584**	45,584
Reserves	**146,905**	119,435
	192,489	165,019
Non-controlling interests	**21,514**	20,687
Total equity	**214,003**	185,706

Notes:

1. Principal accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited 2012 annual financial statements except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations), which are effective for the annual period beginning on 1 January 2013.

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

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

1. Principal accounting policies and basis of preparation (continued)

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

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

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

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

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

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

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

1. Principal accounting policies and basis of preparation (continued)

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

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

2. Revenue and segmental information

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

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

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

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

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

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

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

2. Revenue and segmental information (continued)

Year ended 31 December 2013

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

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

2. Revenue and segmental information (continued)

Year ended 31 December 2012

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

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

2. Revenue and segmental information (continued)

Geographical segments:

(a) Revenue from external customers

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

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

(b) Non-current assets

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

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

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

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

3. Finance costs

An analysis of finance costs is as follows:

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

4. Profit before tax

For the year ended 31 December 2013, profit before tax is arrived at after charging depreciation of approximately HK$2,773,000 (2012: HK$2,804,000) in respect of the Group's property, plant and equipment.

5. Income tax

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

6. Earnings per share attributable to owners of the Company

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

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

	Number of shares	
	2013	*2012*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	**1,823,401,376**	1,823,401,376

The Company's share options have no dilutive effect for the two years ended 31 December 2013 and 2012 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both years.

7. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of approximately HK$181,749,000 (2012: HK$171,277,000). The Group's trading terms with its customers are on credit with credit periods ranging from one to three months (2012: one to three months), depending on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

7. Trade and other receivables (continued)

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

	As at 31 December	
	2013	*2012*
	HK$'000	*HK$'000*
Within 90 days	**175,720**	162,588
91 to 180 days	**4,850**	4,748
181 to 365 days	**956**	2,355
Over 365 days	**223**	1,586
	181,749	171,277

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

8. Trade and other payables

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

	As at 31 December	
	2013	*2012*
	HK$'000	*HK$'000*
Within 90 days	**93,113**	86,701
91 to 180 days	**265**	184
181 to 365 days	**608**	170
Over 365 days	**1,001**	906
	94,987	87,961

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

The Group recorded revenue of HK$200.6 million and profit after tax of HK$21.9 million for the year ended 31 December 2013, representing an increase by 22.2% and 13.9% respectively as compared to 2012. The improvement on financial result was mainly attributable to the better performance by the travel related and other services business 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.

Business Review

Travel Related and Other Services

The travel related and other services segment mainly comprises Four Seas Travel. The segment recorded 11.1% increase in revenue to HK$114.5 million and 36.3% increase in operating profit to HK$36.4 million for the year ended 31 December 2013 as compared to the corresponding year in 2012.

For the year ended 31 December 2013, revenue from Four Seas Travel amounted to HK$107.5 million, representing 9.8% increase as compared to the corresponding year in 2012. The reported operating profit increased by 31.8% from HK$27.5 million for the year ended 31 December 2012 to HK$36.3 million for the year ended 31 December 2013. The increase in revenue by HK$9.5 million as compared to 2012 is attributable to the growth in air-ticket wholesale and corporate travel businesses. Year 2013 continued to be a year of economic uncertainties, with fiscal tightening by The Central People's Government of The People's Republic of China, corporate clients reducing their travel costs and remaining cautious in their business travel spendings, and political events unfolding in Thailand, one of the most popular tourist destinations for Hong Kong people. All of these have impacted the travel industry negatively. Despite the impact, Four Seas Travel's business continued to grow steadily in 2013.

To cope with our strategic move, Four Seas Travel has extended our reach to the Mainland China since 2007 and has a total of six branches in Shenzhen, Guangzhou, Chongqing, Nanjing, Shanghai and Beijing. During the year, the Mainland China market has recorded a negative growth in revenue as strong fiscal tightening policies by The Central People's Government of The People's Republic of China have come into effect. Revenue from the Mainland China market, which accounted for approximately 21.4% (2012: 24.5%) of the total revenue of Four Seas Travel, decreased by 4.1% to HK$23.0 million for the year ended 31 December 2013 as compared to the corresponding year in 2012. Measures have been taken place to minimise the adverse effects on our overall business and more measures have been put in place to tighten our credit policies in order to lower our risk exposure. All these place Four Seas Travel in a better position to monitor potential risks in the Mainland China. Although Four Seas Travel was facing the pressure of changes in government economic policies and rampant cost inflation in the Mainland China, management is confident that there will be a gradual improvement in the operating results in the Mainland China market.

Trading and Manufacturing of Jewellery
The trading and manufacturing of jewellery segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store and counters of large department stores in Nanjing. During the 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 growth was diluted by the decrease in gross margin. The segment recorded 40.9% increase in revenue to HK$86.0 million (2012: HK$61.1 million) and profit from operations was 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 trading and manufacturing of jewellery segment recorded a slight drop in business performance.

As published in the Company's announcements dated 20 June 2013, 26 June 2013, 24 July 2013, 30 July 2013, 20 August 2013, 2 September 2013 and 4 December 2013, certain legal proceedings in relation to Nanjing South China Skytech Technology Co., Ltd., and the joint venture partner and certain members of the former management team of the same are in progress. The Group will make further announcement to update the shareholders of any major development of such legal proceedings as and when appropriate.

Liquidity and Financial Resources

As at 31 December 2013, the Group had a current ratio of 1.76 and a gearing ratio of 1.5% (2012: 1.59 and 14.3% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

Prospects

Travel Related and Other Services
Four Seas Travel will continue to allocate more resources to promotion and marketing to expand and diversify its product types such as MICE (Meetings, Incentives, Conferences and Exhibitions), hotel booking and cruise products in order to widen our client base in both Hong Kong and the Mainland China markets. In addition, we will continue to focus on internal training and to develop our online and mobile booking platform so as to provide high-quality services with diversified distribution channels to our customers and to capture potential market growth. We will leverage on the leading position in Hong Kong air-ticket wholesale market for future growth of the Group. We will continue to expand our market share to maintain the position as one of the top air-ticket distributors in Hong Kong. Meanwhile, Four Seas Travel will continue to leverage on its competitive advantage and success in Hong Kong to the Mainland China market. The Group's ultimate strategy is to become one of the major players in the Mainland China market.

Trading and Manufacturing of Jewellery
We are continuously looking for high potential points of sale in Nanjing and the surrounding cities.

In addition, we 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2013 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 4 June 2013 since he had other business engagements, which deviated from code provision E.1.2.

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

During the year ended 31 December 2013, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong Limited nor did the Company or any of its subsidiaries purchase or sell any such shares.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Committee), Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and a Non-executive Director, namely Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

Hong Kong, 18 March 2014

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