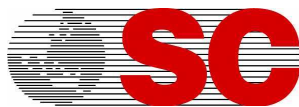


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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2012 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	and Restated)
			HK\$'000
CONTINUING OPERATIONS			
Revenue	2	79,160	74,769
Cost of sales		<u>(25,683)</u>	<u>(25,845)</u>
Gross profit		53,477	48,924
Other income		1,926	3,766
Fair value loss on financial assets at fair value through profit or loss		(778)	(10,161)
Selling and distribution costs		(3,859)	(3,503)
Administrative expenses		(41,202)	(40,013)
Other operating expenses, net		<u>(1,404)</u>	<u>(1,233)</u>
Profit/(loss) from operations	2	8,160	(2,220)
Finance costs	3	<u>(3,879)</u>	<u>(3,327)</u>
Profit/(loss) before tax from continuing operations	4	4,281	(5,547)
Income tax expense	5	<u>(2,132)</u>	<u>(2,302)</u>
Profit/(loss) for the period from continuing operations		2,149	(7,849)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	6	<u>-</u>	<u>(4,529)</u>
Profit/(loss) for the period		<u><u>2,149</u></u>	<u><u>(12,378)</u></u>

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited and Restated)
<i>Notes</i>		HK\$'000	HK\$'000
Attributable to:			
- Owners of the Company		2,616	(10,330)
- Non-controlling interests		(467)	(2,048)
		2,149	(12,378)
Earning/(loss) per share attributable to owners of the Company			
	7		
- Basic			
For profit/(loss) for the period		HK0.1 cent	HK(0.6) cent
For profit/(loss) from continuing operations		HK0.1 cent	HK(0.4) cent
- Diluted			
For profit/(loss) for the period		HK0.1 cent	HK(0.6) cent
For profit/(loss) from continuing operations		HK0.1 cent	HK(0.4) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit/(loss) for the period	2,149	(12,378)
Other comprehensive income/(loss)		
Changes in fair value on available-for-sale financial assets	7,695	6,413
Exchange differences on translation of foreign operations	(1,653)	1,929
Release of exchange differences upon disposal of subsidiaries	-	(430)
Other comprehensive income/(loss) for the period	6,042	7,912
Total comprehensive income/(loss) for the period	8,191	(4,466)
Attributable to:		
- Owners of the Company	8,903	(3,361)
- Non-controlling interests	(712)	(1,105)
	8,191	(4,466)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Unaudited and Restated) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		8,521	8,586
Investment properties		38,000	38,000
Available-for-sale financial assets	8	37,014	29,319
Other non-current assets	9	28,103	28,368
Goodwill		2,994	2,994
Total non-current assets		114,632	107,267
Current assets			
Inventories		33,577	30,730
Trade and other receivables	10	324,590	269,515
Financial assets at fair value through profit or loss	11	23,129	23,907
Advances to non-controlling shareholders of subsidiaries		1,756	1,778
Pledged bank deposits		15,835	15,835
Cash and cash equivalents		61,960	57,149
Total current assets		460,847	398,914
Current liabilities			
Trade and other payables	12	310,518	208,191
Interest-bearing bank and other borrowings		44,578	87,552
Advances from non-controlling shareholders of subsidiaries		54	25
Tax payable		1,430	1,077
Total current liabilities		356,580	296,845
Net current assets		104,267	102,069
Total assets less current liabilities		218,899	209,336

	As at 30 June 2012 (Unaudited) HK\$'000	As at 31 December 2011 (Unaudited and Restated) HK\$'000
Non-current liabilities		
Advances from shareholders	58,154	56,782
Net assets	160,745	152,554
Equity		
Equity attributable to owners of the Company		
Issued capital	45,584	45,584
Reserves	95,193	86,290
	140,777	131,874
Non-controlling interests	19,968	20,680
Total equity	160,745	152,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. Principal accounting policies and basis of preparation

The unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standards No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2011 except as disclosed below.

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations) that are first effective for the current accounting period of the Group.

The adoption of revised HKFRSs

In 2012, the Group adopted the amendment of HKFRSs below, which is relevant to its operations.

HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures - Transfer of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets

HKFRS 7 Amendment has no material impact on current or comparative periods.

In December 2010, the HKICPA amended HKAS 12 “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The amendment is applicable retrospectively to annual periods beginning on or after 1 January 2012 with early adoption permitted.

The Group has adopted this amendment retrospectively for the financial period ended 30 June 2012 and the effects of adoption are disclosed as follows.

The Group has investment properties measured at their fair value of HK\$38,000,000 as of 1 January 2012. As required by the amendment, the Group has re-measured the deferred tax relating to the investment properties according to the tax consequence on the presumption that they are recovered entirely by sale retrospectively. There is no material impact on the condensed consolidated income statement for the two periods ended 30 June 2012 and 2011. The comparative figures for 2011 have been restated to reflect the change in accounting policy. The effect of the restatement on the 31 December 2011 condensed consolidated statement of financial position, and the consequential effect on the 30 June 2012 condensed consolidated statement of financial position are as follows:

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Effect on condensed consolidated statement of financial position:		
Decrease in deferred tax liabilities	4,313	4,313
Increase in retained profits	4,313	4,313

The Group has not applied any new standard or interpretation that is not yet effective for current accounting period.

These interim financial statements should be read, where relevant, in conjunction with the 2011 annual financial statements of the Group.

These interim financial statements have been reviewed by the Company’s audit committee.

2. Revenue and segmental information

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

An analysis of the Group's segment information is as follows:

For the six months ended 30 June 2012

	Travel related and other services <i>HK\$'000</i>	Trading and manufacturing of jewellery <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers and revenue from continuing operations	47,485	31,675	-	<u>79,160</u>
Segment results	9,100	2,285	(3,225)	8,160
<i>Reconciliation:</i>				
Finance costs				<u>(3,879)</u>
Profit before tax from continuing operations				<u>4,281</u>

As at 30 June 2012

	Travel related and other services <i>HK\$'000</i>	Trading and manufacturing of jewellery <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets and total assets	385,422	39,793	150,264	<u>575,479</u>
Segment liabilities	302,718	6,538	59,470	368,726
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>46,008</u>
Total liabilities				<u>414,734</u>

For the six months ended 30 June 2011

	Travel related and other services (Restated) <i>HK\$'000</i>	Trading and manufacturing of jewellery <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total (Restated) <i>HK\$'000</i>
Segment revenue:				
Sales to external customers and revenue from continuing operations	44,445	30,324	-	<u>74,769</u>
Segment results	11,198	1,533	(14,951)	(2,220)
<i>Reconciliation:</i>				
Finance costs				<u>(3,327)</u>
Loss before tax from continuing operations				<u>(5,547)</u>

As at 31 December 2011

	Travel related and other services <i>HK\$'000</i>	Trading and manufacturing of jewellery <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total (Restated) <i>HK\$'000</i>
Segment assets and total assets	324,338	36,988	144,855	<u>506,181</u>
Segment liabilities	198,636	6,323	60,039	264,998
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>88,629</u>
Total liabilities				<u>353,627</u>

	Revenue	
	Six months ended 30 June	
	2012	2011
		(Restated)
	HK\$'000	HK\$'000
By geographical location [#] :		
Hong Kong	39,144	38,748
Mainland China	40,016	36,021
	79,160	74,769

[#] The revenue information from continuing operations above is based on the location of the customers.

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Gross proceeds received and receivable	1,668,195	1,412,228

3. Finance costs

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2012	2011
		(Restated)
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	2,507	1,789
Interest on advances from directors	1,372	1,538
	3,879	3,327

4. Profit/(loss) before tax from continuing operations

For the six months ended 30 June 2012, profit/(loss) before tax from continuing operations is arrived at after charging depreciation of approximately HK\$1,416,000 (six months ended 30 June 2011: approximately HK\$980,000) in respect of the Group's property, plant and equipment.

5. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

6. Discontinued operations

On 29 July 2011, the Company entered into an agreement with an independent third party to dispose of the entire issued share capital of Genion Limited, which owns 60% equity interests in Chongqing South China Zenith Information Technology Co., Ltd., which in turn owns 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., respectively. Genion Limited and its subsidiaries (collectively “Genion”), which were engaged in information technology business, constituted the information technology business segment with operations in Mainland China. Upon completion of the disposal of Genion on 25 August 2011, the Group ceased the information technology business thereafter.

On 11 January 2011, the Company entered into an agreement to dispose of the entire equity interests of Thousand China Investments Limited and its subsidiaries (collectively “TCL”), which were engaged in forestry business, to South China (China) Limited (“SCC”), of which certain directors were also the directors of the Company. Upon completion of the disposal of TCL on 31 January 2011, the Group ceased the forestry business thereafter.

** for identification purpose*

Financial information relating to Genion and TCL for the six months ended 30 June 2011 is set out below. The condensed consolidated income statement distinguishes the discontinued operations from the continuing operations.

	Six months ended 30 June 2011		
	Genion	TCL	Total
	HK\$'000	HK\$'000	HK\$'000
Revenue	49,005	-	49,005
Other income	940	-	940
Expenses	(53,302)	(585)	(53,887)
Finance costs	(913)	-	(913)
Share of profits and losses of associates	(7)	-	(7)
Loss before tax from discontinued operations	(4,277)	(585)	(4,862)
Income tax	(97)	-	(97)
	(4,374)	(585)	(4,959)
Gain on disposal of subsidiaries	-	430	430
Loss for the period from discontinued operations	(4,374)	(155)	(4,529)

Loss per share:	
Basic, from discontinued operations	<u>HK0.1 cent</u>
Diluted, from discontinued operations	<u>HK0.1 cent</u>

The calculations of basic and diluted loss per share from discontinued operations are based on:

	Six months ended 30 June 2011
Loss attributable to owners of the Company from discontinued operations	<u>HK\$2,721,000</u>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	<u>1,823,401,000</u>

7. Earning/(loss) per share attributable to owners of the Company

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

	Six months ended 30 June	
	2012	2011
		(Restated)
	HK\$'000	HK\$'000
<u>Earning/(loss)</u>		
Profit/(loss) attributable to owners of the Company, used in the basic earning/(loss) per share calculation	<u>2,616</u>	<u>(10,330)</u>
Profit/(loss) attributable to owners of the Company, used in the diluted earning/(loss) per share calculation:		
From continuing operations	2,616	(7,609)
From discontinued operations	<u>-</u>	<u>(2,721)</u>
	<u>2,616</u>	<u>(10,330)</u>
	Number of shares	
	Six months ended 30 June	
	2012	2011
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earning/(loss) per share calculations	<u>1,823,401,000</u>	<u>1,823,401,000</u>

The Company's share options have no dilutive effect for two periods ended 30 June 2012 and 2011 because the exercise price of the Company's share options was higher than the average market price for shares for two periods ended 30 June 2012 and 2011.

8. Available-for-sale financial assets

The shares held by the Group included the shares in SCC (*Stock Code 413*) of approximately HK\$36.6 million as at 30 June 2012.

9. Other non-current assets

They include deposit for acquisition of properties and land development costs in Panyu, Guangzhou (廣州番禺) and Tanggu, Tianjin (天津塘沽) in the PRC.

10. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK\$274,052,000 (31 December 2011: HK\$222,471,000). The Group's trading terms with its customers are on credit with credit periods ranging from period of one to three months (31 December 2011: 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 minimize credit risk. Overdue balances are reviewed regularly by the senior management.

An aging analysis of trade receivables as at the end of the reporting period on invoice date and net of provisions is as follows:

	As at 30 June 2012 HK\$'000	As at 31 December 2011 HK\$'000
Within 90 days	266,583	212,544
91 to 180 days	6,686	9,398
181 to 365 days	714	461
Over 365 days	69	68
	<u>274,052</u>	<u>222,471</u>

11. Financial assets at fair value through profit or loss

The shares held by the Group included the shares of South China Financial Holdings Limited (*Stock Code 619*) and South China Land Limited (*Stock Code 8155*).

12. Trade and other payables

Included in trade and other payables of the Group are trade payables of HK\$253,769,000 (31 December 2011: HK\$154,647,000) and their aging analysis as at the end of reporting period, base on invoice date is as follows:

	As at 30 June 2012 <i>HK\$'000</i>	As at 31 December 2011 <i>HK\$'000</i>
Within 90 days	252,674	153,610
91 to 180 days	166	289
181 to 365 days	225	138
Over 365 days	704	610
	253,769	154,647

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (31 December 2011: 15 to 90 days).

13. Comparative amounts

The comparative condensed consolidated income statement has been re-presented as if the operation discontinued during the six months ended 30 June 2011. Certain comparative amounts in note 2 under heading "Revenue and segmental information" have been reclassified to conform with the current period presentation. In the opinion of the Company's directors, such reclassification provides a more appropriate presentation on the Group's business segments.

As a result of the adoption of the amendments to HKAS 12 "Income Taxes", certain comparative figures have been adjusted to conform with the current period presentation. Details of the adoption of revised HKFRSs are set out in note 1 to these interim financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded revenue of HK\$79.2 million and a profit of HK\$2.1 million for the six months ended 30 June 2012. The improvement on financial result was mainly attributed to the decrease in fair value loss on financial assets at fair value through profit or loss and no occurrence of loss from discontinued operations for the six months ended 30 June 2012.

Travel Related and Other Services

Travel related and other services recorded revenue of HK\$47.5 million, representing a 6.8% increase over the corresponding period in 2011 and a profit from operation of HK\$9.1 million for six months ended 30 June 2012.

Travel related and other services included revenue from Four Seas Travel amounting to HK\$46.5 million, representing a 7.8% increase over the corresponding period in 2011. Four Seas Travel recorded continuous growth on gross sales proceeds and receivables in the first half of 2012. Our gross revenue was boosted by the increase in business travel and airfare in Hong Kong and Mainland China.

In Mainland China, Four Seas Travel already has branches in Beijing, Shanghai, Chongqing, Guangzhou, Shenzhen and Nanjing. As global enterprises in Mainland China continued to seek high quality services, Four Seas Travel had recorded significant increase on gross sales proceeds of corporate business in Mainland China.

Trading and Manufacturing

In addition to the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store in Nanjing and counters of large department stores in Nanjing and Maanshan, our manufacturing operation is located in Nanjing and is also engaged in the production of jewellery. Jewellery business recorded a revenue of HK\$31.7 million and a profit from operation of HK\$2.3 million for six months ended 30 June 2012, representing increases of 4.5% and 49.1% respectively compared to the corresponding period in 2011.

Material Acquisitions and Disposals of Subsidiaries and Associates

During the six months ended 30 June 2012, the Group did not make any material acquisition and disposal of subsidiaries and associates.

Liquidity and Financial Resources

As at 30 June 2012, the Group had a current ratio of 1.29 and a gearing ratio of 0% (31 December 2011: 1.34 and 16.6% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. As at 30 June 2012, since the Group had net cash position (cash and cash equivalents less interest-bearing bank borrowing and other borrowings) of HK\$17.4 million, no gearing ratio was computed. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

Supplementary Information in relation to the Company's Interim Results Announcement

Explanation given by the Board of the changes and treatment of the matters relating to the qualified opinion in the independent auditors' report for the 2011 financial statements of the Group

Ernst & Young, Certified Public Accountants, issued an independent auditors' report with qualified opinion for the 2011 financial statements of the Group. The Board has given detailed explanation on the matters relating to the auditors' opinion in the 2011 financial statements of the Group, details of which can be found in 2011 annual report published on the website of the Stock Exchange (<http://www.hkex.com.hk>) on 26 April 2012.

Prospects

Four Seas Travel will continue to enhance its internet booking platform in order to complement its sales network and improve its efficiency and competitiveness. The alliance with global partner, Travel Solution International, will enable Four Seas Travel to expand its global client base. We will continue to develop our travel services in the major cities of Mainland China to capture this fast growing travel market.

We will strengthen and consolidate the scale of sale and profitability of the existing point-of sale in order to achieve continuity in revenue and profit growth in the jewellery business.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Mr. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett and Mrs. Tse Wong Siu Yin, Elizabeth and one non-executive director, namely Mr. David Michael Norman.

The Group's unaudited consolidated results for the six months ended 30 June 2012 have been reviewed by the audit committee.

By order of the Board
South China Holdings Limited
Ng Hung Sang
Chairman

Hong Kong, 28 August 2012

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.