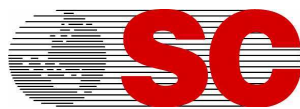


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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	2	152,271	129,979
Cost of sales		<u>(47,962)</u>	<u>(26,056)</u>
Gross profit		104,309	103,923
Other income		10,323	4,977
Fair value gain on investment properties		12,800	200
Fair value loss on financial assets at fair value through profit or loss		(20,043)	(23,048)
Selling and distribution costs		(6,935)	(5,930)
Administrative expenses		(88,913)	(77,176)
Equity-settled share option expense		-	(4,069)
Other operating expenses		<u>(5,368)</u>	<u>(54)</u>
Profit/(loss) from operations		6,173	(1,177)
Finance costs		<u>(6,645)</u>	<u>(5,453)</u>
Loss before tax from continuing operations	3	(472)	(6,630)

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000 (Restated)
Income tax expense	4	<u>(6,821)</u>	<u>(4,735)</u>
Loss for the year from continuing operations		(7,293)	(11,365)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations		<u>(19,201)</u>	<u>2,772</u>
Loss for the year		<u>(26,494)</u>	<u>(8,593)</u>
Attributable to:			
- Owners of the Company		<u>(16,697)</u>	(13,532)
- Non-controlling interests		<u>(9,797)</u>	<u>4,939</u>
		<u>(26,494)</u>	<u>(8,593)</u>
Loss per share attributable to owners of the Company	5		
Basic			
- For loss for the year		<u>HK(0.9) cent</u>	<u>HK(0.7) cent</u>
- For loss from continuing operations		<u>HK(0.3) cent</u>	<u>HK(0.7) cent</u>
Diluted			
- For loss for the year		<u>HK(0.9) cent</u>	<u>HK(0.7) cent</u>
- For loss from continuing operations		<u>HK(0.3) cent</u>	<u>HK(0.7) cent</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Loss for the year	<u>(26,494)</u>	<u>(8,593)</u>
Other comprehensive income/(loss)		
Changes in fair value of available-for-sale financial assets	(3,847)	(4,489)
Exchange differences on translation of foreign operations	<u>4,508</u>	<u>3,698</u>
Other comprehensive income/(loss) for the year	<u>661</u>	<u>(791)</u>
Total comprehensive loss for the year	<u>(25,833)</u>	<u>(9,384)</u>
Attributable to:		
- Owners of the Company	(17,914)	(15,628)
- Non-controlling interests	<u>(7,919)</u>	<u>6,244</u>
	<u>(25,833)</u>	<u>(9,384)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	<i>Notes</i>	2011	2010
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		8,586	18,227
Investment properties		38,000	25,200
Prepaid land lease payments	6	-	17,726
Interests in associates		-	702
Biological assets		-	1,264
Available-for-sale financial assets	7	29,319	33,166
Other non-current assets	8	28,368	27,345
Goodwill		2,994	5,500
Total non-current assets		107,267	129,130
Current assets			
Inventories		30,730	48,720
Trade and other receivables	9	269,515	257,241
Financial assets at fair value through profit or loss	10	23,907	43,950
Due from affiliates		-	2,037
Advances to non-controlling shareholders of subsidiaries		1,778	1,694
Pledged bank deposits		15,835	16,885
Cash and cash equivalents		57,149	65,998
Total current assets		398,914	436,525
Current liabilities			
Trade and other payables	11	208,191	197,466
Interest-bearing bank and other borrowings		87,552	109,765
Advances from non-controlling shareholders of subsidiaries		25	404
Tax payable		1,077	2,060
Total current liabilities		296,845	309,695
Net current assets		102,069	126,830
Total assets less current liabilities		209,336	255,960

	As at 31 December	
	2011	2010
	HK\$'000	HK\$'000
Total assets less current liabilities	<u>209,336</u>	<u>255,960</u>
Non-current liabilities		
Advances from shareholders	56,782	62,860
Deferred tax liabilities	<u>4,313</u>	<u>2,385</u>
Total non-current liabilities	<u>61,095</u>	<u>65,245</u>
Net assets	<u>148,241</u>	<u>190,715</u>
Equity		
Equity attributable to owners of the Company		
Issued capital	45,584	45,584
Reserves	<u>81,977</u>	<u>104,172</u>
	127,561	149,756
Non-controlling interests	<u>20,680</u>	<u>40,959</u>
Total equity	<u>148,241</u>	<u>190,715</u>

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 2010 annual financial statements except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2011 as disclosed in the audited 2010 annual financial statements. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

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.

The Group discontinued its information technology and forestry business during the year ended 31 December 2011.

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

Year ended 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 continuing operations <i>HK\$'000</i>	Information technology <i>HK\$'000</i>	Forestry <i>HK\$'000</i>	Total discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:								
Sales to external customers and revenue	94,301	57,970	-	152,271	58,493	-	58,493	210,764
				=====			=====	=====
Segment results	26,517	3,184	(23,528)	6,173	(3,479)	(585)	(4,064)	2,109
<u>Reconciliation:</u>								
Finance costs				(6,645)			(1,141)	(7,786)
Share of profits and losses of associates				-			(8)	(8)
				-----			-----	-----
Loss before tax				(472)			(5,213)	(5,685)
				=====			=====	=====
Segment assets and total assets	324,338	36,988	144,855	506,181	-	-	-	506,181
				=====			=====	=====
Segment liabilities	198,636	6,323	60,039	264,998	-	-	-	264,998
<u>Reconciliation:</u>								
Corporate and other unallocated liabilities				92,942			-	92,942
				-----			-----	-----
Total liabilities				357,940			-	357,940
				=====			=====	=====

Year ended 31 December 2010

	Travel related and other services <i>HK\$'000</i> (Restated)	Trading and manufacturing of jewellery <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total continuing operations <i>HK\$'000</i>	Information technology <i>HK\$'000</i> (Restated)	Forestry <i>HK\$'000</i>	Total discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:								
Sales to external customers and revenue	97,722	32,257	-	129,979	151,666	-	151,666	281,645
Segment results	31,729	1,412	(34,318)	(1,177)	9,646	(4,359)	5,287	4,110
<u>Reconciliation:</u>								
Finance costs				(5,453)			(1,466)	(6,919)
Share of profits and losses of associates				-			(43)	(43)
Profit/(loss) before tax				(6,630)			3,778	(2,852)
Segment assets and total assets	247,946	28,722	143,467	420,135	114,997	30,523	145,520	565,655
Segment liabilities	138,187	2,988	68,546	209,721	49,959	1,050	51,009	260,730
<u>Reconciliation:</u>								
Corporate and other unallocated liabilities				84,716			29,494	114,210
Total liabilities				294,437			80,503	374,940

Geographical segments:

Revenue from external customers

	2011			2010		
	Continuing operations <i>HK\$'000</i>	Discontinued operations <i>HK\$'000</i>	Total <i>HK\$'000</i>	Continuing operations <i>HK\$'000</i> (Restated)	Discontinued operations <i>HK\$'000</i> (Restated)	Total <i>HK\$'000</i>
Hong Kong	76,202	-	76,202	81,684	-	81,684
Mainland China	76,069	58,493	134,562	48,295	151,666	199,961
	<u>152,271</u>	<u>58,493</u>	<u>210,764</u>	<u>129,979</u>	<u>151,666</u>	<u>281,645</u>

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

3. Loss before tax

For the year ended 31 December 2011, loss before tax is arrived at after charging depreciation of approximately HK\$3,665,000 (2010: approximately HK\$3,116,000) in respect of the Group's property, plant and equipment and amortisation of approximately HK\$21,000 (2010: HK\$822,000) in respect of the Group's prepaid land lease payments.

4. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

5. Loss per share attributable to owners of the Company

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (Restated)
<u>Loss</u>		
Loss attributable to owners of the Company, used in the basic loss per share calculation	<u>(16,697)</u>	<u>(13,532)</u>
Loss attributable to owners of the Company, used in the diluted loss per share calculation:		
From continuing operations	(5,078)	(12,053)
From discontinued operations	<u>(11,619)</u>	<u>(1,479)</u>
	<u>(16,697)</u>	<u>(13,532)</u>
	Number of shares	
	2011	2010
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted 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 the two years ended 31 December 2011 and 2010 because the exercise price of the Company's share options was higher than the average market price for shares for the two years ended 31 December 2011 and 2010.

6. Prepaid land lease payments

At 31 December 2010, the leasehold land is held under medium term leases and is situated in Mainland China.

7. Available-for-sale financial assets

The shares held by the Group included the shares of South China (China) Limited *Stock Code 413* (“SCC”) of approximately HK\$28.9 million as at 31 December 2011.

8. Other non-current assets

They include deposits 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.

9. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK\$222,471,000 (2010: HK\$187,795,000). The Group’s trading terms with its customers are on credit with credit periods ranging from one to three months (2010: one to three months), depends on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

An aged 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:

	2011 HK\$'000	2010 HK\$'000
Within 90 days	212,544	170,694
91 to 180 days	9,398	12,329
181 to 365 days	461	2,884
Over 365 days	68	1,888
	<u>222,471</u>	<u>187,795</u>

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

Included in other receivables is an amount due from a former subsidiary of the Group of HK\$13,110,000 (2010: Nil), which bears interest at 8% per annum and is repayable in September 2012. The terms are mutually agreed by both parties.

10. 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*.

11. Trade and other payables

Included in trade and other payables of the Group are trade payables of HK\$154,647,000 (2010: HK\$138,539,000) and their aged analysis as at the end of reporting period, based on the invoice date is as follows:

	2011	2010
	HK\$'000	HK\$'000
Within 90 days	153,610	135,926
91 to 180 days	289	773
181 to 365 days	138	295
Over 365 days	610	1,545
	<u>154,647</u>	<u>138,539</u>

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (2010: 15 to 90 days).

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

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

Basis for Qualified Opinion

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

2011 and we were unable to determine whether any adjustments to these amounts were necessary. Our audit report on the financial statements for the year ended 31 December 2010 dated 31 March 2011 included a disclaimer of opinion due to a limitation of audit scope by reason of the Investigation.

Qualified opinion arising from limitation of audit scope

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

The Group recorded revenue of HK\$152.3 million and a loss attributable to owners of the Company of HK\$16.7 million for the year ended 31 December 2011. As compared to 2010, revenue increased by 17.2% due to increase in revenue from our jewellery business. During the year ended 31 December 2011, the Group has disposed of the entire interest in Thousand China Investments Limited (“Thousand China”) and the entire issued share capital in Genion Limited, as further detailed under the section “Material Acquisitions And Disposals of Subsidiaries and Associates”. In this regard, the Group discontinued its information technology and forestry business thereafter and recorded a loss for the year from discontinued operations of HK\$19.2 million.

The Group’s principal businesses of travel and related services and trading and manufacturing remained profitable and fundamentally sound.

Business Review

The Group recorded revenue of HK\$152.3 million and a net loss of HK\$26.5 million for the year ended 31 December 2011. The principal businesses of the Group include travel related and other services and trading and manufacturing.

Travel Related and Other Services

Travel related and other services recorded revenue of HK\$94.3 million (2010: HK\$97.7 million) and an 16.4% decrease in profit from operations to HK\$26.5 million (2010: HK\$31.7 million). The decrease in profit from operations was mainly due to the increase in operating expenses, the impact of Japan’s earthquake and Thailand’s flooding in 2011.

Travel related and other services included revenue from Hong Kong Four Seas Tours amounting to HK\$89.0 million (2010: HK\$91.0 million). As compared to 2010, Hong Kong Four Seas Tours recorded a 14.3% growth of gross sales proceeds received and receivables. Our gross

revenue was boosted by the increase in business travel as well as the increase in airfare in 2011. As corporate clients continue to seek high quality services, Hong Kong Four Seas Tours has been able to increase its market share in the past few years. The enlarged global corporate client base enabled us to expand MICE (meeting, incentive, conference, event) operation in the past years.

Trading and Manufacturing

In addition to the distribution and sale of jewellery products such as precious stones, jade, gold and silver in the counters of large department stores in Nanjing and Maanshan, our manufacturing operation is located in Nanjing and is engaged in the production of jewellery. Jewellery business recorded a 79.7% increase in revenue to HK\$58.0 million (2010: HK\$32.3 million) and 125.5% increase in profit from operations to HK\$3.2 million (2010: HK\$1.4 million). During the year, we had closed non-profitable counters and opened new counters in department stores in Maanshan.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had a current ratio of 1.34 and a gearing ratio of 17.0% (31 December 2010: 1.41 and 18.7% 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.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 31 January 2011, the Group disposed of its entire interest in Thousand China to a direct wholly-owned subsidiary of SCC, of which a director of the Company is 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 at the completion date. The Group recognized the net results of a loss of HK\$155,000, which included the operating results of Thousand China of a loss of HK\$585,000 and the gain on disposal of Thousand China of HK\$430,000, included in "Discontinued Operations" in the Group's consolidated income statement for the year ended 31 December 2011.

On 29 July 2011, the Company announced the disposal of the entire issued share capital in Genion Limited, which owns 60% interests 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 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 interest 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). 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 is 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 will be valid for 2 years from the date of the said sale and purchase agreement)) are 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 recognized the net results of a loss of HK\$19,046,000, which included the operating results of Genion Limited of a loss of HK\$4,726,000 and the loss on disposal of Genion Limited of HK\$14,320,000, included in "Discontinued Operations" in the Group's consolidated income statement for the year ended 31 December 2011.

**for identification purpose*

PROSPECTS

Hong Kong Four Seas Tours will continue to enhance its internet booking platform in order to complement its sales network and improve its efficiency and competitiveness. The alliance with our global partner, Travel Solution International, will enable Four Seas Travel to expand its global client base.

We expected that the economic recovery in United States of America and European Union and relaxation of monetary policy in many developed and developing countries will create positive effect on global travel business.

We plan to open more counters in department stores to expand our point-of-sale in Nanjing's operation, in order to achieve continuity in revenue growth. In addition, we will strengthen and consolidate the scale of sale and profitability of the existing point-of-sale in the coming year.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company complied with all the code provisions as set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2011 with exception to code provision E.1.2 that the Chairman of the Board did not attend the annual general meeting of the Company.

According to code provision E.1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions at the meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 31 May 2011. There were Executive Directors attending the annual general meeting in the absence of the Chairman to answer questions on the Group’s businesses at the meeting. The Company will endeavour to ensure future compliance with code provision E.1.2.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

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

The Group’s annual results for the year ended 31 December 2011 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

Hong Kong, 27 March 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.