



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 265)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

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 2011 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2011	2010
		Unaudited	Unaudited
		and restated	
		HK\$'000	HK\$'000
	Notes		
CONTINUING OPERATIONS			
Revenue	2	123,774	105,196
Cost of sales		(69,262)	(51,768)
Gross profit		54,512	53,428
Other income		4,706	3,931
Fair value loss on financial assets at fair value through profit or loss		(10,161)	(18,582)
Selling and distribution costs		(3,918)	(3,691)
Administrative expenses		(49,483)	(48,626)
Equity-settled share option expense		—	(2,872)
Other operating expenses, net		(1,233)	(1,203)
Loss from operations	2	(5,577)	(17,615)
Finance costs	3	(4,240)	(2,502)
Share of profits and losses of associates		(7)	(1)
Loss before tax from continuing operations	4	(9,824)	(20,118)
Income tax expense	5	(2,399)	(2,674)
Loss for the period from continuing operations		(12,223)	(22,792)
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	6	(155)	(3,521)
Loss for the period		(12,378)	(26,313)
Attributable to:			
– Owners of the Company		(10,330)	(26,191)
– Non-controlling interests		(2,048)	(122)
		(12,378)	(26,313)
Loss per share attributable to owners of the Company	7		
– Basic			
Loss for the period		HK(0.6) cent	HK(1.4) cents
For loss from continuing operations		HK(0.6) cent	HK(1.2) cents
– Diluted			
Loss for the period		HK(0.6) cent	HK(1.4) cents
For loss from continuing operations		HK(0.6) cent	HK(1.2) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Loss for the period	<u>(12,378)</u>	<u>(26,313)</u>
Other comprehensive income/(loss)		
Changes in fair value on available-for-sale financial assets	6,413	(641)
Exchange differences on translation of foreign operations	1,929	(17)
Release of exchange differences upon disposal of subsidiaries	<u>(430)</u>	<u>—</u>
Other comprehensive income/(loss) for the period	<u>7,912</u>	<u>(658)</u>
Total comprehensive loss for the period	<u>(4,466)</u>	<u>(26,971)</u>
Attributable to:		
– Owners of the Company	(3,361)	(26,849)
– Non-controlling interests	<u>(1,105)</u>	<u>(122)</u>
	<u>(4,466)</u>	<u>(26,971)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2011 Unaudited HK\$'000	As at 31 December 2010 Audited HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment		17,877	18,227
Investment property		25,200	25,200
Prepaid land lease payments		–	17,726
Interests in associates		711	702
Biological assets		–	1,264
Available-for-sale financial assets	8	39,579	33,166
Other non-current assets	9	27,844	27,345
Goodwill		5,500	5,500
Total non-current assets		116,711	129,130
Current assets			
Inventories		53,564	48,720
Trade and other receivables	10	304,414	257,241
Financial assets at fair value through profit or loss	11	33,789	43,950
Due from affiliates		–	2,037
Advances to non-controlling shareholders of subsidiaries		6,601	1,694
Pledged bank deposits		15,835	16,885
Cash and cash equivalents		47,546	65,998
Total current assets		461,749	436,525
Current liabilities			
Trade and other payables	12	231,442	197,466
Interest-bearing bank and other borrowings		94,768	109,765
Advances from non-controlling shareholders of subsidiaries		5,187	404
Tax payable		3,216	2,060
Total current liabilities		334,613	309,695
Net current assets		127,136	126,830
Total assets less current liabilities		243,847	255,960
Non-current liabilities			
Advances from shareholders		55,213	62,860
Deferred tax liabilities		2,385	2,385
Total non-current liabilities		57,598	65,245
Net assets		186,249	190,715
Equity			
Equity attributable to owners of the Company			
Issued capital		45,584	45,584
Reserves		100,811	104,172
Non-controlling interests		146,395	149,756
		39,854	40,959
Total equity		186,249	190,715

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Attributable to owners of the Company Unaudited HK\$'000	Non- controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2011	45,584	89,630	14,542	149,756	40,959	190,715
Total comprehensive loss for the period	–	6,969	(10,330)	(3,361)	(1,105)	(4,466)
At 30 June 2011	<u>45,584</u>	<u>96,599</u>	<u>4,212</u>	<u>146,395</u>	<u>39,854</u>	<u>186,249</u>
At 1 January 2010	45,584	87,657	28,074	161,315	35,635	196,950
Total comprehensive loss for the period	–	(658)	(26,191)	(26,849)	(122)	(26,971)
Equity-settled share option arrangements	–	2,872	–	2,872	–	2,872
At 30 June 2010	<u>45,584</u>	<u>89,871</u>	<u>1,883</u>	<u>137,338</u>	<u>35,513</u>	<u>172,851</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(14,781)	(47,565)
Net cash flows from/(used in) investing activities	21,229	(1,942)
Net cash flows (used in)/from financing activities	(17,746)	59,189
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(11,298)	9,682
Cash and cash equivalents at beginning of period	74,507	37,535
Effect of foreign exchange rate changes, net	172	–
	<hr/>	<hr/>
Cash and cash equivalents at end of period	63,381	47,217
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances as stated in the condensed consolidated statement of financial position	47,546	40,302
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	15,835	14,635
Bank overdrafts	–	(7,720)
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	63,381	47,217
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

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 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 2010 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 annual financial statements for the year ended 31 December 2010. 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.

These interim financial statements should be read, where relevant, in conjunction with the 2010 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 2011

	Travel and related services Unaudited HK\$000	Information technology Unaudited HK\$000	Trading and manufacturing of jewellery Unaudited HK\$000	Investment holding Unaudited HK\$000	Total Unaudited HK\$000
Segment revenue:					
Sales to external customers and revenue from continuing operations	43,119	50,331	30,324	–	<u>123,774</u>
Segment results	13,207	(5,366)	1,533	(14,951)	(5,577)
Reconciliation:					
Finance costs					(4,240)
Share of profits and losses of associates					<u>(7)</u>
Loss before tax from continuing operations					<u>(9,824)</u>

As at 30 June 2011

	Travel and related services Unaudited HK\$000	Information technology Unaudited HK\$000	Trading and manufacturing of jewellery Unaudited HK\$000	Investment holding Unaudited HK\$000	Total Unaudited HK\$000
Segment assets and total assets	281,019	113,601	31,735	152,105	<u>578,460</u>
Segment liabilities	172,134	57,763	3,657	58,287	291,841
Reconciliation: Corporate and other unallocated liabilities					<u>100,370</u>
Total liabilities					<u>392,211</u>

For the six months ended 30 June 2010

	Travel and related services Unaudited and restated HK\$000	Information technology Unaudited and restated HK\$000	Trading and manufacturing of jewellery Unaudited and restated HK\$000	Investment holding Unaudited and restated HK\$000	Total Unaudited and restated HK\$000
Segment revenue: Sales to external customers and revenue from continuing operations	41,579	49,292	14,325	–	<u>105,196</u>
Segment results	13,268	(367)	634	(31,150)	(17,615)
Reconciliation: Finance costs					(2,502)
Share of profits and losses of associates					<u>(1)</u>
Loss before tax from continuing operations					<u>(20,118)</u>

As at 31 December 2010

	Travel and related services Audited and restated <i>HK\$000</i>	Information technology Audited and restated <i>HK\$000</i>	Trading and manufacturing of jewellery Audited and restated <i>HK\$000</i>	Investment holding Audited and restated <i>HK\$000</i>	Total Audited and restated <i>HK\$000</i>
Segment assets	233,953	128,990	28,722	143,467	535,132
<i>Reconciliation:</i>					
Assets related to a discontinued operation					<u>30,523</u>
Total assets					<u><u>565,655</u></u>
Segment liabilities	136,260	51,886	2,988	68,546	259,680
<i>Reconciliation:</i>					
Corporate and other unallocated liabilities					114,210
Liabilities related to a discontinued operation					<u>1,050</u>
Total liabilities					<u><u>374,940</u></u>

	Revenue	
	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	<i>HK\$'000</i>	and restated <i>HK\$'000</i>
By geographical location #:		
Hong Kong	38,748	38,867
Mainland China	85,026	66,329
	<u>123,774</u>	<u>105,196</u>

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 related services are as follows:

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross proceeds received and receivable	<u>1,412,228</u>	<u>1,271,751</u>

3. Finance costs

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

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	and restated
		HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	2,605	1,461
Interest on advances from a related company	–	188
Interest on advances from non-controlling shareholders of subsidiaries	97	–
Interest on advances from directors	1,538	853
	<u>4,240</u>	<u>2,502</u>

4. Loss before tax from continuing operations

For the six months ended 30 June 2011, loss before tax from continuing operations is arrived at after charging depreciation of approximately HK\$2,004,000 (six months ended 30 June 2010: approximately HK\$1,840,000) 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 month ended 30 June 2010: 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 operation

In January 2011, the Group disposed of its entire interest in Thousand China Investments Limited ("Thousand China") to a direct wholly-owned subsidiary of South China (China) Limited (南華(中國)有限公司*) ("SCC"), of which a director of the Company is its controlling shareholder, for a consideration of HK\$23.8 million. Thousand China and its subsidiaries (collectively the "Thousand China Group") are engaged in forestry plantation in the People's Republic of China ("PRC"). Details of the disposal are disclosed in the announcement of the Company dated 11 January 2011. The transaction was completed on 31 January 2011 and Thousand China was sold for a consideration of HK\$28,875,000, which was determined on the net asset value of Thousand China Group at the completion date. Following the disposal, Thousand China Group ceased to be subsidiaries of the Company and the forestry business which was carried out by Thousand China Group became a discontinued operation of the Group. Results of Thousand China Group then ceased to be accounted for in the consolidated financial statements of the Group.

Financial information relating to Thousand China Group for the period to the date of disposal is set out below. The condensed consolidated income statement distinguishes discontinued operation from continuing operations. Comparative figures have been restated.

* for identification purpose

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Other income	–	535
Administrative expenses	(585)	(4,056)
Loss of discontinued operation	(585)	(3,521)
Gain on disposal of subsidiaries	430	–
Loss before tax from a discontinued operation	(155)	(3,521)
Income tax expense	–	–
Loss for the period from a discontinued operation	(155)	(3,521)
Loss per share:		
Basic, from a discontinued operation	HK(0.01) cent	HK(0.19) cent
Diluted, from a discontinued operation	HK(0.01) cent	HK(0.19) cent

7. Loss per share attributable to owners of the Company

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

	Six months ended 30 June	
	2011	2010
	Unaudited	Unaudited
	HK\$'000	and restated
	HK\$'000	HK\$'000
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	(10,330)	(26,191)
Loss attributable to owners of the Company, used in the diluted loss per share calculation:		
From continuing operations	(10,175)	(22,670)
From a discontinued operation	(155)	(3,521)
	(10,330)	(26,191)
Number of shares		
Six months ended 30 June		
2011	2010	
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculations	1,823,401,000	1,823,401,000

The Company's share options have no dilutive effect for two periods ended 30 June 2010 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 2010 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\$39.1 million as at 30 June 2011.

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\$235,619,000 (31 December 2010: HK\$187,795,000). The Group's trading terms with its customers are on credit with credit periods ranging from period of one to three months (31 December 2010: 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 2011 Unaudited HK\$'000	As at 31 December 2010 Audited HK\$'000
Within 90 days	214,483	170,694
91 to 180 days	8,730	12,329
181 to 365 days	10,183	2,884
Over 365 days	2,223	1,888
	<u>235,619</u>	<u>187,795</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\$166,400,000 (31 December 2010: HK\$138,539,000) and their aging analysis as at the end of reporting period on invoice date is as follows:

	As at 30 June 2011 Unaudited HK\$'000	As at 31 December 2010 Audited HK\$'000
Within 90 days	155,053	135,926
91 to 180 days	209	773
181 to 365 days	10,315	295
Over 365 days	823	1,545
	<u>166,400</u>	<u>138,539</u>

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (31 December 2010: 15 to 90 days).

13. Related party transactions

- (a) In addition to the transactions disclosed elsewhere in these interim financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2011 and 2010:

Name of related party	Nature of transaction	Notes	Six months ended 30 June	
			2011 Unaudited HK\$'000	2010 Unaudited HK\$'000
Directors and companies in which certain directors have beneficial interests*/#	Information technology related services income	(i)	–	(365)
Directors and companies in which certain directors have beneficial interests*/**	Rental expenses	(ii)	1,294	1,542
Directors and companies in which certain directors have beneficial interests*/#	Interest expense	(iii)	–	188
Directors#	Interest expenses	(iv)	1,538	853
Non-controlling shareholders of subsidiaries#	Interest income	(v)	(97)	–
Non-controlling shareholders of subsidiaries#	Interest expense	(v)	97	–

* The directors of the Company are also the directors of the related companies.

** The related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The related party transactions also constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

- (i) These transactions were carried out on terms determined and agreed by both parties.
- (ii) These transactions were charged at prevailing market rates.
- (iii) The interest expense was charged at the Hong Kong dollar prime rate per annum. The terms offered to the Group are at similar terms offered to clients with similar characteristics.
- (iv) The interest expenses were charged at the Hong Kong dollar prime rate per annum.
- (v) The interest income and expense were charged at interest 8% per annum.

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in the condensed consolidated statement of financial position.

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

The executive directors and the non-executive directors are the key management personnel of the Group. Compensation of key management personnel of the Group is as follows:

	Six months ended 30 June	
	2011	2010
	Unaudited HK\$'000	Unaudited HK\$'000
Fees, salaries, allowances and benefits in kind, equity-settled share option expense and pension scheme contributions	1,112	3,555

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group recorded a turnover of HK\$123.8 million and a loss of HK\$12.4 million for the six months ended 30 June 2011. The loss was mainly attributed to a fair value loss amounting to HK\$10.2 million and loss from operation in information technology segment.

Travel and Related Services

Four Seas Travel recorded a turnover of HK\$43.1 million, representing a 3.7% increase over the corresponding period in 2010 and a profit from operation of HK\$13.2 million for the six months ended 30 June 2011. The increase in turnover was mainly attributed to the increase in business travel and our corporate client base of both Hong Kong and Mainland China. As global enterprises in Mainland China continued to seek high quality services, Four Seas Travel had recorded significant increase on gross proceeds of corporate business in Mainland China.

In first half of 2011, Four Seas Travel set up a new branch in Nanjing and the number of our total branches in Mainland China increased to six, including Beijing, Shanghai, Chongqing, Guangzhou, Shenzhen and Nanjing. Our operation in the Mainland China contributed approximately 15% of Four Seas Travel's gross proceeds received and receivables. In addition, its new online fare system has started operation.

Information Technology

The IT segment recorded a turnover of HK\$50.3 million for the six months ended 30 June 2011, representing an increase of 2.1% compared to the corresponding period in 2010. Our IT business mainly comprises system integration, software development and supply chain development and they are mainly located in Chongqing, China. Our IT business recorded a loss from operation of HK\$5.4 million for the six month ended 30 June 2011 (2010: Loss of HK\$367,000).

Trading and Manufacturing

Our trading and manufacturing operation is located in Nanjing, the PRC and is engaged in producing jewellery from precious stones, jade, gold and silver. In addition to our flagship store in Nanjing, our products are also distributed and sold through counters in sizable department stores. Jewellery business recorded turnover of HK\$30.3 million and profit from operation of HK\$1.5 million for the six months ended 30 June 2011, representing increases of 111.7% and 141.8% respectively compared to corresponding period in 2010.

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 recognised a gain on disposal of HK\$430,000.

Liquidity and Financial Resources

As at 30 June 2011, the Group had a current ratio of 1.38 and a gearing ratio of 0% (31 December 2010: 1.41 and 0% respectively). The gearing ratio was computed by comparing the Group's total long-term bank borrowings to total equity. As at 30 June 2011 and 31 December 2010, the Group had no long-term bank borrowings. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 30 June 2011, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

Capital Structure

The Group had no debt securities or other capital instruments as at 30 June 2011 and up to the date of this report. There was no material change in the Group's capital structure as compared to the most recently published annual report.

Pledges of Assets, Contingent Liabilities and Commitments

As at 30 June 2011, there was no material change in the Group's pledges of assets, contingent liabilities and commitment as compared to the most recently published annual report.

Investments

During the six months ended 30 June 2011, shares of South China Land Limited recorded a fair value loss of HK\$10 million on financial assets at fair value through profit or loss in the condensed consolidated income statement and shares of SCC recorded a fair value gain of HK\$6.4 million on available-for-sales financial assets in the condensed consolidated statement of comprehensive income.

There was no material change in the Group's investments as compared to the most recently published annual report.

Employees

As at 30 June 2011, the total number of employees of the Group was 704 (31 December 2010: 702).

Supplementary Information in relation to the Company's Interim Report

Explanation given by the board of the changes and treatment of the matters relating to the disclaimer of opinion in the independent auditors' report for the 2010 financial statements of the group

Ernst & Young, Certified Public Accountants, issued an independent auditor's report with disclaimer opinion for the 2010 financial statements of the Group. The Board has given detailed explanation on the matters relating to the auditors' opinion in the 2010 financial statements of the Group, details of which can be found in 2010 annual results published on the website of the Stock Exchange (<http://www.hkex.com.hk>) on 27 April 2011. As at the date of this report, there was no material progress in relation to such matters.

Event after the Reporting Period

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 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). 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 sale 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.

* for identification purpose

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. We expect steady growth of our MICE business in the coming year. The alliance with our global partner, Travel Solution International, will enable Four Seas Travel to expand its client base.

Given the great potential in Mainland China, we will expand our network to other major cities and will set up a new domestic tour company in Shanghai in the second half of 2011 for the development of MICE and tour business in the Mainland China.

With the expansion of our major customers into various cities in Mainland China, our supply chain management software is in popular demand.

We will continue to open more outlets in department stores to expand the points of sales of our jewellery business in Nanjing in order to achieve continuity in revenue growth. We will also control cost by lowering our marketing budget and closing down unprofitable outlets to achieve profit growth from our business.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2011, 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 Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

The Company

(i) Long positions in shares

Name of Director	Capacity and number of ordinary shares		Total number of ordinary shares	Approximate percentage of shareholding
	Beneficial owner	Interest of controlled corporations		
Mr. Ng Hung Sang ("Mr. Ng")	71,652,200	1,272,529,612 (Note a)	1,344,181,812	73.72%
Mr. Richard Howard Gorges ("Mr. Gorges")	–	487,949,760 (Note a)	487,949,760	26.76%
Ms. Cheung Choi Ngor ("Ms. Cheung")	–	487,949,760 (Note a)	487,949,760	26.76%

(ii) *Long positions in underlying shares*

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	18,000,000 (Note b)	0.99%
Ms. Cheung	Beneficial owner	18,000,000 (Note b)	0.99%
Mr. Ng Yuk Fung, Peter	Beneficial owner	18,000,000 (Note b)	0.99%
Ms. Ng Yuk Mui, Jessica	Beneficial owner	18,000,000 (Note b)	0.99%

Notes:

- (a) The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations include 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 Investment Limited ("Bannock") and 250,646,400 shares held by Earnttrade Investments Limited ("Earnttrade"). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earnttrade which is owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom are 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 of 487,949,760 shares held by Bannock and Earnttrade.
- (b) Please refer to details set out in section headed "Share Option Scheme".

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had registered any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) in the register which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in shares

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 (Note)	26.76%
Bannock	Beneficial owner	237,303,360 (Note)	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%

Note: Bannock is a wholly-owned subsidiary of Earntrade. The 487,949,760 shares in the Company held by Earntrade include 237,303,360 shares held by Bannock directly.

Save as disclosed above, as at 30 June 2011, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation", had registered any interests or short positions in the shares or underlying shares of the Company in the register that was required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted on 31 May 2002 and became effective on 28 June 2002. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2011 were as follows:

Name or category of participant	Number of share options					Outstanding as at 30 June 2011	Date of grant of share options (DD/MM/YYYY) (Note 1)	Exercise period of share options (DD/MM/YYYY)	Exercise price per share HK\$ (Note 2)
	Outstanding as at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors									
Ms. Cheung	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Mr. Gorges	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Ms. Ng Yuk Mui, Jessica	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Mr. Ng Yuk Fung, Peter	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	-	-	-	-	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	72,000,000	-	-	-	-	72,000,000			
Employees									
In aggregate	200,000	-	-	-	-	200,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	200,000	-	-	-	-	200,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	200,000	-	-	-	-	200,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	600,000	-	-	-	-	600,000			
Others									
In aggregate	6,533,333	-	-	-	-	6,533,333	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,533,333	-	-	-	-	6,533,333	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,533,334	-	-	-	-	6,533,334	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	19,600,000	-	-	-	-	19,600,000			
Total	92,200,000	-	-	-	-	92,200,000			

Notes:

- All share options granted are subject to a vesting period and become exercisable in whole or in part in the following manner:

From the date of grant of share options

Exercisable percentage %

Within 12 months	Nil
13th month – 24th month	not more than 33 ¹ / ₃
25th month – 36th month	not more than 66 ² / ₃
37th month – 120th month	100

- The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

No share options have been granted, exercised or cancelled during the six months ended 30 June 2011. The Company did not recognise any equity-settled share option expense during the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$2,872,000).

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 Listing Rules throughout the six months ended 30 June 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 should 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standards of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the period.

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 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 results for the six months ended 30 June 2011 have been reviewed by the audit committee.

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

Hong Kong, 30 August 2011

As at the date of this report, 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.