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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 2009

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 2009 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	2	215,792	169,827
Cost of sales		<u>(114,374)</u>	<u>(64,756)</u>
Gross profit		101,418	105,071
Dividend income	7	82,075	-
Interest income		107	492
Other income and gains		5,235	9,882
Selling and distribution costs		(7,740)	(11,266)
Administrative and operating expenses		(86,842)	(78,713)
Non-cash equity-settled share option expense		(12,214)	(27,840)
Impairment of trade and other receivables		(1,615)	(1,645)
(Loss)/gain on disposal of assets and investments (<i>net</i>)	3	(242)	35,373
Fair value loss on financial assets at fair value through profit or loss		<u>(5,734)</u>	<u>-</u>
Profit from operations	2	74,448	31,354
Finance costs		(3,846)	(2,856)
Share of profits and losses of associates		<u>82</u>	<u>(99)</u>
Profit before tax	4	70,684	28,399
Tax	5	<u>(4,116)</u>	<u>(4,740)</u>
Profit for the year from Continuing Operations		66,568	23,659

	<i>Notes</i>	2009 HK\$'000	2008 HK\$'000 <i>(Restated)</i>
DISCONTINUED OPERATIONS			
<i>Profit/(loss) for the year from Discontinued Operations</i>	2&6	<u>10,564</u>	<u>(131,885)</u>
Profit/(loss) for the year		<u>77,132</u>	<u>(108,226)</u>
Attributable to:			
- Owners of the Company		83,746	(65,129)
- Minority interests		<u>(6,614)</u>	<u>(43,097)</u>
		<u>77,132</u>	<u>(108,226)</u>
Earnings/(loss) per share attributable to owners of the Company			
- Basic	8		
Profit/(loss) for the year		<u>HK4.6 cents</u>	<u>HK(3.6)cents</u>
For profit from continuing operations		<u>HK3.6 cents</u>	<u>HK1.3 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2009	2008
	HK\$'000	HK\$'000
		<i>(Restated)</i>
Profit/(loss) for the year	77,132	(108,226)
Other comprehensive income for the year		
Fair value change on available-for-sale financial assets	22,781	9,100
Surplus on revaluation of land and building	-	27,340
Exchange differences on translation of financial statements of overseas subsidiaries	132	72,116
	<u>100,045</u>	<u>330</u>
Total comprehensive income for the year	<u>100,045</u>	<u>330</u>
Attributable to:		
- Owners of the Company	106,714	2,228
- Minority interests	<u>(6,669)</u>	<u>(1,898)</u>
Total comprehensive income for the year	<u>100,045</u>	<u>330</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		17,892	296,938
Investment properties		25,000	1,605,674
Prepaid land lease payments	9	10,337	48,323
Construction in progress		-	27,279
Interests in associates		720	298,449
Biological assets		-	84,904
Available-for-sale financial assets	10	37,655	44,741
Other non-current assets	11	26,616	48,165
Goodwill		5,568	12,041
		<hr/>	<hr/>
Total non-current assets		123,788	2,466,514
		<hr/>	<hr/>
Current assets			
Properties under development		-	448,734
Inventories		40,775	322,478
Trade and other receivables	13	180,287	410,950
Financial assets at fair value through profit or loss	12	67,977	10,945
Due from affiliates		-	457
Advances to minority shareholders of subsidiaries		1,635	27,480
Tax recoverable		-	5,016
Pledged bank deposits		14,625	14,342
Cash and cash equivalents		58,007	193,072
		<hr/>	<hr/>
Total current assets		363,306	1,433,474
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	14	170,780	644,860
Interest-bearing bank and other borrowings		105,187	487,606
Advances from minority shareholders of subsidiaries		408	22,048
Due to affiliates		4,478	2,180
Tax payable		763	29,284
		<hr/>	<hr/>
Total current liabilities		281,616	1,185,978
		<hr/>	<hr/>
Net current assets		81,690	247,496
		<hr/>	<hr/>
Total assets less current liabilities		205,478	2,714,010
		<hr/>	<hr/>

	As at 31 December	
	2009	2008
	HK\$'000	HK\$'000
Non-current liabilities		
Interest-bearing bank and other borrowings	-	281,845
Advances from shareholders	6,029	7,876
Advances from minority shareholders of subsidiaries	-	29,226
Other non-current liabilities	-	85,419
Promissory notes	-	97,079
Deferred tax liabilities	2,499	232,079
Total non-current liabilities	8,528	733,524
Net assets	196,950	1,980,486
Equity		
Equity attributable to owners of the Company		
Issued capital	45,584	45,584
Reserves	115,731	1,332,647
	161,315	1,378,231
Minority interests	35,635	602,255
Total equity	196,950	1,980,486

Notes:

1. Principal accounting policies and basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2008 except that the Group has adopted certain newly issued HKFRSs, which are effective for the annual period beginning on 1 January 2009 as disclosed in the annual financial statements for the year ended 31 December 2008.

The HKICPA issued some improvements to the HKFRSs in May 2009. Of this, an amendment to HKAS 18 was made for recognition of revenue. Under the new definition, the Group’s travel and related services operation in relating to the sales of air-tickets is treated as cash collected on behalf of the principal as an agent, and thus its revenue shall be recorded on net basis. In all the prior years, the Group have been recognising the revenue from the sales of air-tickets in gross amount. This policy is revised in current year and only the commission has been recognised as revenue. The comparative figures have been restated to conform to the current year’s presentation.

Except for the above, the adoption of these new HKFRSs 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 gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue and contribution to profit/(loss) from operations by principal activities and geographical location is as follows:

	Revenue		Contribution to profit/(loss) from operations	
	2009	2008	2009	2008
	HK\$'000	HK\$'000 (Restated)	HK\$'000	HK\$'000 (Restated)
By principal activity:				
Continuing operations				
Travel and related services *	71,171	78,954	18,879	24,606
Information technology	126,465	72,675	1,459	952
Trading and manufacturing	18,156	18,198	453	561
Investment holding	-	-	53,657	5,235
	<u>215,792</u>	<u>169,827</u>	<u>74,448</u>	<u>31,354</u>
Discontinued operations				
Trading and manufacturing	598,008	1,848,802	2,706	53,394
Property investment and development	22,687	48,054	45,210	(9,960)
Securities and financial services	-	77,730	-	(143,480)
Agriculture and woods	1,789	3,423	(6,394)	(9,617)
Media and publications	10,989	31,994	(3,534)	(993)
Investment holding	-	-	(29,000)	46,010
	<u>633,473</u>	<u>2,010,003</u>	<u>8,988</u>	<u>(64,646)</u>
Total	<u>849,265</u>	<u>2,179,830</u>	<u>83,436</u>	<u>(33,292)</u>

* Please refer to Note 1 regarding the change in revenue recognition for sales of air-tickets to net basis for the current year. Should the revenue be recognized in gross basis, the amount would be as follows:-

	Revenue	
	2009	2008
	HK\$'000	HK\$'000
Travel and related services	<u>1,911,687</u>	<u>2,356,116</u>

	Revenue		Contribution to profit/(loss) from operations	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Restated)		(Restated)
By geographical location #:				
The People's Republic of China ("PRC", including Hong Kong and Macau)	303,988	440,837	86,345	(79,705)
United States of America	376,036	1,144,591	1,183	39,616
Europe	87,992	372,747	(3,221)	3,169
Japan	3,301	15,983	(201)	121
Others	77,948	205,672	(670)	3,507
	<u>849,265</u>	<u>2,179,830</u>	<u>83,436</u>	<u>(33,292)</u>

Revenue by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

3. (Loss)/gain on disposal of assets and investments (net)

	2009	2008
	HK\$'000	HK\$'000
		(Restated)
Gain on disposal of interests in subsidiaries	-	34,530
Gain on disposal of financial assets at fair value through profit or loss	-	874
Loss on disposal of items of property, plant and Equipment	<u>(242)</u>	<u>(31)</u>
	<u>(242)</u>	<u>35,373</u>

4. Profit before tax

For the year ended 31 December 2009, profit before tax is arrived at after charging depreciation of approximately HK\$4,045,000 (2008: approximately HK\$3,997,000) in respect of the Group's properties, plants and equipments.

5. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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 in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

6. Profit for the year from discontinued operations and dividend distribution

	2009 HK\$'000	2008 HK\$'000
Special interim distribution, declared and paid #	1,552,809	127,638
Proposed final dividend (2008: HK\$0.11 cents)	-	2,006
	<u>1,552,809</u>	<u>129,644</u>

In June 2009, the Group distributed its interest in South China (China) Limited *Stock Code 413* (“SCC”), representing approximately 72.88% of SCC’s issued share capital, by way of distribution in specie. SCC is a company principally engaging in trading and manufacturing of toys, shoes, leather product, motors and capacitors, magazine publishing business, property investment and development and agriculture and woods with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Group paid a special dividend distribution to the then shareholders in specie on the basis of 106 SCC shares and 21 SCC warrants for every 100 share held by the shareholders on 19 June 2009. The aggregate fair value of SCC shares and SCC warrants distributed was amounted to HK\$1,552,809,000.

After the completion of the above transaction, SCC was no longer a subsidiary of the Company since then. Accordingly, the Company ceased to consolidate SCC and its subsidiaries in the Company’s consolidated financial statements from then on. The results of SCC for the period ended 19 June 2009 was thus classified as “Discontinued Operations”.

7. Dividend income

The Group held some remaining shares and warrants of SCC after the distribution in specie of its shares to the Company’s shareholders in June 2009. In July 2009, the Group exercised the SCC warrants held which then converted to SCC shares. In August 2009, SCC paid a special dividend for its entire interest in South China Land Limited 南華置地有限公司 *Stock Code 8155* (“SCL”) to its shareholders by means of distribution in specie. The dividend income was the value of SCL shares the Group entitled to receive from the special distribution on the date of receipt.

8. Earnings/(loss) per share attributable to owners of the Company

The calculation of basic earnings/(loss) per share are based on:

	2009 HK\$'000	2008 HK\$'000 (Restated)
<u>Earnings/(loss)</u>		
Profit/(loss) attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	66,540	23,597
From discontinued operations	<u>17,206</u>	<u>(88,726)</u>
	<u>83,746</u>	<u>(65,129)</u>

	2009	2008
<u>Shares</u>		
Number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	<u>1,823,401,376</u>	<u>1,823,401,376</u>

Diluted earning/(loss) per share for both years were not presented because the impact of the exercise of the share options was anti-dilutive.

9. Prepaid land lease payments

In December 2009, the Group acquired from SCC certain subsidiaries engaged in forestry business in the PRC for a consideration of HK\$8.5 million. They occupy approximately 157,000 mu of woodland area for forest plantation in Chongqing and Wuhan, the PRC. As at 31 December 2009, approximately HK\$10.3 million was paid for prepaid land leases in respect of the woodlands.

10. Available-for-sale financial assets

They include the remaining shares held by the Group in the former listed subsidiary of SCC after the distribution in specie of their shares to the Company's shareholders in June 2009 of approximately HK\$37.2 million as at 31 December 2009.

11. Other non-current assets

They include deposits paid for investment in lands in Panyu, Guangzhou (廣州番禺) and Tanggu, Tianjin (天津塘沽) in the PRC.

12. Financial assets at fair value through profit or loss

They include the shares held by the Group in South China Financial Holdings Limited *Stock Code 619* and SCL.

13. Trade receivables

Included in trade and other receivables of the Group are trade receivables of HK\$133,492,000 (2008: HK\$295,079,000). The Group's trading terms with its customers are on credit with credit period ranging from period of one to three months (2008: 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 the senior management and would be handled closely by the credit control department.

An aging analysis of trade receivables as at the reporting date based on invoice date is as follows:

	2009 HK\$'000	2008 HK\$'000
Within 90 days	125,218	263,901
91 to 180 days	8,048	21,505
181 to 365 days	226	4,395
Over 365 days	-	5,278
	<u>133,492</u>	<u>295,079</u>

14. Trade payables

Included in trade and other payables of the Group are trade payables of HK\$129,022,000 (2008: HK\$362,374,000) and their aging analysis based on invoice date is as follows:

	2009 HK\$'000	2008 HK\$'000
Within 90 days	125,365	281,295
91 to 180 days	137	26,534
181 to 365 days	3,391	3,166
Over 365 days	129	51,379
	<u>129,022</u>	<u>362,374</u>

The trade payables are non-interest-bearing and normally settled on 15 to 90 days' terms (2008: 15 to 210 days).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

In June 2009, the Group distributed its interest in South China (China) Limited ("SCC"), representing approximately 72.88% of SCC's issued share capital, by way of distribution in specie. SCC is a company principally engaging in trading and manufacturing of toys, shoes, leather product, motors and capacitors, magazine publishing business, property investment and development and agriculture and woods with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 413).

The Group paid a special dividend distribution to the then shareholders in specie on the basis of 106 SCC shares and 21 SCC warrants for every 100 shares of the Company held by the shareholders on 19 June 2009.

In December 2009, the Group acquired from SCC certain subsidiaries engaged in forestry business in the PRC for a consideration of HK\$8.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

The Group recorded a turnover of HK\$215.8 million and a profit attributable to owners of HK\$77.1 million for the year ended 31 December 2009. As compared to 2008, turnover increased by 27% while the annual results turned from loss to profit mainly because of the Special Dividend income from SCC through the Distribution in specie of South China Land Limited 南華置地有限公司 by SCC.

The profit from the continuing operations was HK\$66.5 million for the year ended 31 December 2009. The Group's principal businesses of travel and related services, information technology and trading and manufacturing remained profitable and fundamentally sound.

BUSINESS REVIEW

The Group recorded revenue of HK\$215.8 million and a profit of HK\$77.1 million for the year ended 31 December 2009. The profits from continuing operations and discontinued operations were HK\$66.5 million and HK\$10.6 million, respectively.

In June 2009, the Group distributed its interest in SCC, representing approximately 72.88% of SCC's issued share capital, by way of distribution in specie. SCC is a company principally engaged in trading and manufacturing of toys, shoes, leather products, motors and capacitors, magazine publication, property investment and development and agriculture with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited. During the year, the Group incorporated the results of SCC up to 19 June 2009, the completion date of the distribution, as profit from *Discontinued Operations*.

The principal businesses or continuing operations of the Group now include travel and related services, information technology and trading and manufacturing in the PRC.

Travel and Related Services

The significant decrease in corporate travelers, in particular from the financial sector, and the spread of H1N1 epidemics in early 2009 dealt a significant blow to the global travel industry. Fortunately, business opportunities arose as most global corporations began to seek for travel agents that provide high quality services at reasonable prices. This enabled us to expand our event management and related travel services and also successfully enlarging our global corporate client base in both the local and China markets during the year. Hence, the results of Four Seas Travel recovered in the second half of 2009 and recorded a profit of HK\$18.9 million for the full year ended 31 December 2009, a 23% decrease compared to the previous financial year and a 10% drop in revenue.

Information Technology

The IT segment reported a 74% increase in revenue over the year ended 31 December 2008 to HK\$126.5 million. Our operations are mainly located in Chongqing, which comprise of system integration, software development and supply chain system development. The new subsidiary set up in 2008 in the high technology industrial park in Chongqing, which provides software development services for overseas buyers, has already started to generate revenue in 2009. The IT operations in China recorded a profit of HK\$1.5 million for year ended 31 December 2009 (2008: profit of HK\$1 million).

Trading and Manufacturing

The remaining trading and manufacturing operation after the distribution of SCC is engaged in jewelry production of precious stones, jade, gold and silver located in Nanjing, China. Our products are distributed and sold through counters in sizable department stores as well as our own flagship shop in Nanjing city. The operation sustained revenue of HK\$18.2 million and a profit of HK\$0.5 million during the year ended 31 December 2009, as compared to HK\$0.6 million for the year ended 31 December 2008.

Forestry

In December 2009, the Company acquired 157,372 mu of woodland area for forest plantation in Chongqing and Wuhan from SCC for HK\$8.5 million. The management sees the great demand in timber in China and believes that the acquisition will give the Group an opportunity to tap in the market potential of the industry in the long run.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009 the Group had a current ratio of 1.29 and a gearing ratio of 0% (31 December 2008: 1.21 and 14.2%, respectively). The gearing ratio as at 31 December 2008 is computed by comparing the Group's total long-term bank borrowings of HK\$281.8 million to total equity of HK\$1,980.5 million. As at 31 December 2009, there was no long-term bank borrowing for the Group. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

PROSPECTS

Four Seas Travel will continue to develop its exposure in the China market, where we already have five branches in various major cities. Our operation in China has contributed more than 10% of Four Seas Travel's revenue during the year ended 31 December 2009 and we envisage that profit contribution from these branches will soon materialize. We will continue to upgrade our computer system, including fare searching, online booking and performance reporting, in order to enhance our sales network and further improve our competitiveness in the market place. With the steady growth of our global client base and equipped with advance information tools, we have already witnessed the benefits as the tourism industry began to emerge from its doldrums in the second half of 2009.

One of our principal subsidiaries in the IT segment in Chongqing already returned to profit in the second half of 2009. After a major revamp in 2009, we expect that our IT segment will continue to show improvement in the coming year.

Our jewelry trading and manufacturing operation in Nanjing reported a small profit in the second half of 2009 despite a minor loss during the interim period. The Board will consider the future direction of this non-core segment in the coming year.

We are in the process of expanding our forestry segment and plan to increase the portfolio by more than 10-fold before the end of 2010. The management believes that the forestry segment will contribute significantly to profits in the coming years due to the strong demand for timber in China for flooring, furniture and construction. In addition, the Group also plans to foray into the plantation of *Jatropha Curcus*, which is being used as raw material for bio-diesel production.

As mentioned in the interim report, we have been trying to resolve the disputes on the 500,000 square meters site in Tanggu, Tianjin, in which we have a 51% interest. We hope to commence development of the land this year pending the outcome of the dispute with our joint venture partner.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices containing in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board resolved not to declare the payment of a final dividend for the year ended 31 December 2009 (2008: HK\$0.11 cents).

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 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 2009 were 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, 30 March 2010

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.