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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 2009

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 2009 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2009	2008
		Unaudited	Unaudited
		HK\$'000	and restated
	<i>Notes</i>		HK\$'000
CONTINUING OPERATIONS			
Revenue	2	920,414	1,286,476
Cost of sales		(876,803)	(1,235,042)
Gross profit		43,611	51,434
Interest income		63	264
Other income and gains		2,261	3,917
Selling and distribution costs		(4,545)	(6,066)
Administrative and operating expenses		(34,187)	(35,503)
Non-cash equity-settled share option expenses		(6,107)	(13,609)
Impairment of trade and other receivables		(1,200)	(610)
Gain on disposal of assets and investments (<i>net</i>)	3	-	35,372
Fair value gain on financial assets at fair value through profit or loss	11	4,239	-
Profit from operations	2	4,135	35,199
Finance costs		(1,360)	(1,351)
Share of profits and losses of associates		4	(55)
Profit before tax	4	2,779	33,793
Tax	5	(1,818)	(2,886)
Profit for the period from Continuing Operations		961	30,907
DISCONTINUED OPERATIONS			
Profit for the period from Discontinued Operations	2&6	10,564	169,922
Profit for the period		11,525	200,829

		Six months ended 30 June	
		2009	2008
		Unaudited	Unaudited
		HK\$'000	and restated
<i>Notes</i>			HK\$'000
Attributable to:			
- Equity holders of the Company		19,651	166,661
- Minority interests		(8,126)	34,168
		11,525	200,829
Dividends			
Special interim distribution	6	1,552,809	-
Interim dividend	7	-	-
Earnings per share attributable to ordinary equity holders of the Company			
- Basic	8		
Profit for the period		HK1.1 cents	HK9.1 cents
For profit from continuing operations		HK0.1 cents	HK1.8 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2009 Unaudited HK\$'000	As at 31 December 2008 Audited HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		16,684	296,938
Investment properties		25,000	1,605,674
Prepaid land lease payments		-	48,323
Construction in progress		-	27,279
Interests in associates		642	298,449
Biological assets		-	84,904
Available-for-sale financial assets	11	33,222	44,741
Other non-current assets	12	26,615	48,165
Goodwill		5,568	12,041
Total non-current assets		<u>107,731</u>	<u>2,466,514</u>
CURRENT ASSETS			
Properties under development		-	448,734
Inventories		32,720	322,478
Trade and other receivables	9	157,616	410,950
Financial assets at fair value through profit or loss	11	4,803	10,945
Due from affiliates		1,040	457
Advance to minority shareholders of subsidiaries		1,635	27,480
Tax recoverable		-	5,016
Pledged bank deposits		15,092	14,342
Cash and cash equivalents		58,816	193,072
Total current assets		<u>271,722</u>	<u>1,433,474</u>
CURRENT LIABILITIES			
Trade and other payables	10	138,109	644,860
Interest-bearing bank and other borrowings		60,233	487,606
Advances from minority shareholders of subsidiaries		1,582	22,048
Due to affiliates		931	2,180
Tax payable		1,926	29,284
Total current liabilities		<u>202,781</u>	<u>1,185,978</u>
NET CURRENT ASSETS		<u>68,941</u>	<u>247,496</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>176,672</u>	<u>2,714,010</u>

	As at 30 June 2009 Unaudited HK\$'000	As at 31 December 2008 Audited HK\$'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	-	281,845
Advances from shareholders	44,571	7,876
Advances from minority shareholders of subsidiaries	107	29,226
Other non-current liabilities	-	85,419
Promissory notes	-	97,079
Deferred tax liabilities	2,499	232,079
Total non-current liabilities	47,177	733,524
Net assets	129,495	1,980,486
EQUITY		
Equity attributable to equity holders of the Company		
Issued capital	45,584	45,584
Reserves	55,532	1,332,647
	101,116	1,378,231
Minority interests	28,379	602,255
Total equity	129,495	1,980,486

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. Basis of presentation

The unaudited consolidated financial statements for the six months ended 30 June 2009 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

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 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 interim 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 Hong Kong Financial Reporting Standards, 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 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 in conjunction with the 2008 annual report.

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 period.

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	
	Six months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	and restated	HK\$'000	and restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principle activity:				
Continuing operations				
Travel and related services	845,642	1,215,818	9,318	16,060
Information technology	41,639	37,439	(2,791)	(2,067)
Trading and manufacturing	33,133	33,219	(267)	260
Investment holding	-	-	(2,125)	20,946
	<u>920,414</u>	<u>1,286,476</u>	<u>4,135</u>	<u>35,199</u>
Discontinued operations				
Trading and manufacturing	598,008	660,701	2,706	(26,883)
Property investment and development	22,687	25,204	45,210	100,866
Securities and financial services	-	43,881	-	(88,418)
Agriculture and woods	1,789	1,447	(6,394)	(4,791)
Media and publications	10,989	18,395	(3,534)	185
Investment holding	-	-	(29,000)	169,498
	<u>633,473</u>	<u>749,628</u>	<u>8,988</u>	<u>150,457</u>
Total	<u>1,553,887</u>	<u>2,036,104</u>	<u>13,123</u>	<u>185,656</u>

	Revenue		Contribution to profit/(loss) from operations	
	Six months ended 30 June		Six months ended 30 June	
	2009	2008	2009	2008
	Unaudited	Unaudited	Unaudited	Unaudited
	HK\$'000	and restated	HK\$'000	and restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical location [#] :				
The People's Republic of China ("PRC", including Hong Kong and Macau)	1,008,610	1,441,755	16,032	209,035
United States of America	376,036	375,247	1,183	(5,311)
Europe	87,992	135,234	(3,221)	(12,123)
Japan	3,301	4,949	(201)	(491)
Others	77,948	78,919	(670)	(5,454)
	<u>1,553,887</u>	<u>2,036,104</u>	<u>13,123</u>	<u>185,656</u>

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

3. Gain on disposal of assets and investments (*net*)

	Six months ended 30 June 2009	2008
	Unaudited HK\$'000	Unaudited and restated HK\$'000
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 plant and equipment	-	(32)
	<u>-</u>	<u>35,372</u>

* In February 2008, the Group disposed of its entire interest in South China Media Limited and the related shareholders' loan to Broaden Base Investment Limited for the media operation. The Group recognised a gain of HK\$34.5 million on disposal.

4. Profit before tax

For the period ended 30 June 2009, profit before tax is arrived at after charging depreciation of approximately HK\$1,574,000 (six months ended 30 June 2008: HK\$1,372,000) 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% (six months ended 30 June 2008: 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 in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

6. Profit for the period from Discontinued Operations and Special interim distribution

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 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. Interim Dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

8. Earnings per share attributable to ordinary equity holders of the Company

The calculation of basic earnings per share is based on:

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	and restated
		HK\$'000
<u>Earnings</u>		
Profit attributable to equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	2,444	31,968
From discontinued operations	17,207	134,693
	<u>19,651</u>	<u>166,661</u>

Shares

Number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	<u>1,823,401,376</u>	<u>1,823,401,376</u>
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Diluted earnings per share is not presented for both periods as there was no diluting event during the periods.

9. Trade receivables

Included in trade and other receivables of the Group are trade receivables of HK\$117,290,000 (31 December 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 (31 December 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 minimize 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 balance sheet date based on invoice date is as follows:

	As at	As at
	30 June 2009	31 December 2008
	Unaudited	Audited
	HK\$'000	HK\$'000
Within 90 days	107,212	263,901
91 to 180 days	9,601	21,505
181 to 365 days	477	4,395
Over 365 days	-	5,278
	<u>117,290</u>	<u>295,079</u>

10. Trade payables

Included in trade and other payables of the Group are trade payables of HK\$102,468,000 (31 December 2008: HK\$362,374,000) and their aging analysis based on invoice date is as follows:

	As at 30 June 2009 Unaudited HK\$'000	As at 31 December 2008 Audited HK\$'000
Within 90 days	99,080	281,295
91 to 180 days	2,552	26,534
181 to 365 days	704	3,166
Over 365 days	132	51,379
	<u>102,468</u>	<u>362,374</u>

The trade payables are non-interest-bearing and normally settled on 15 to 210 days' terms (31 December 2008: 15 to 210 days).

11. Financial assets at fair value through profit or loss and Available-for-sale financial assets

They are the remaining shares and warrants held by the Group in the former listed subsidiaries of South China Financial Holdings Limited and SCC after the distributions in specie of their shares to the Company's shareholders in December 2008 and June 2009 respectively.

12. Other non-current assets

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenue of HK\$920.4 million and a profit of HK\$11.5 million for the six months ended 30 June 2009. The profits from continuing operations and discontinued operations were HK\$1.0 million and HK\$10.5 million respectively for the period.

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). During the period, 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 early this year hard hit the global travel industry. Fourseas Travel recorded a profit of HK\$9.3 million for the current period, a 42% decrease compared to the first half of 2008 and a 30% drop in revenue. Fortunately, business opportunities arose as most global corporations start seeking for travel agents that provides 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 local and the China market during the period.

Information Technology

The IT segment reported an increase of 11% in revenue over the last corresponding period to HK\$41.6 million in the first half of 2009. Our IT operations are engaging in system integration, software development and supply chain system development and are mainly located in Chongqing, the PRC. The new subsidiary set up last year in the high technology industrial park in Chongqing providing software development services for overseas buyers started to generate revenue in this year. The IT operations in the Mainland recorded a loss of HK\$2.8 million for the period (2008: HK\$2.1 million).

Trading and Manufacturing

The remaining trading and manufacturing operation after the distribution of SCC is engaging in jewelry production of precious stones, jade, gold and silver located in Nanjing, the PRC. Our products are distributed and sold through counters in sizable departmental stores as well as our own flagship shop in the Nanjing city. The operation sustained revenue of HK\$33.1 million and a minor loss of HK\$0.3 million during the period, closely the same as compared to the same period last year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009 the Group had a current ratio of 1.34 and a gearing ratio of 0% (31 December 2008: 1.21 and 14.2% respectively). The gearing ratio as at 31 December 2008 was 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 30 June 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.

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 share held by the shareholders on 19 June 2009.

PROSPECTS

Fourseas Travel will continue its business development in the China market. At present, we already have five branches in the major cities of the Mainland. We believe they shall start making profit contribution to the Group very soon. More efforts will be devoted to enhance our existing IT system including the fare searching, online booking and performance reporting systems. These upgrading system developments can enrich our sales network and further improve our market competitiveness. With the steady growth of our global client base equipping with the advance information tools, we are confident to gain the most benefits once the market rebounds.

The Group will place more focus on revamping the existing IT and trading and manufacturing operations for improving their revenue and profit contributions in the coming days.

In addition, the piece of land the Group invested in Tanggu of Tianjin China (天津塘沽) since the early nineties is of 500,000 square meter in area and located in the economic development zone of the Tianjin city (天津市經濟技術開發區). According to a valuation report prepared by an independent unrelated professional firm in September 2009, the land in its present bare stage is worth RMB3.75 billion. It is a joint-venture with a PRC third party, of which the Group held 51% interest. Previously, there were some disputes with the joint-venture partner over the land title. We have been trying to resolve the disputes and hope to start development of the land as soon as possible. The investment is now recorded at cost as other non-current assets.

We will continue to seek appropriate investments for the Group whenever opportunities arise.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009. (six months ended 30 June 2008: Nil).

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the period ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 June 2009.

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 results for the six months ended 30 June 2009 have been reviewed by the audit committee.

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

Hong Kong, 22 September 2009

As at the date of this announcement, the Board comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung, Peter as executive directors; (2) Mr. David Michael Norman and Ms. Ng Yuk Mui, Jessica 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.