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 2006

GROUP RESULTS

The Board of Directors (the "Board") of South China Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries and associates (collectively the "Group") for the year ended 31 December 2006 together with the comparative figures for the last financial year as follows:–

CONSOLIDATED INCOME STATEMENT

	Notes	**2006** **HK$'000**	2005 HK$'000
REVENUE	2	**4,444,372**	4,305,120
Cost of sales		**(3,939,691)**	(3,806,504)
Gross profit		**504,681**	498,616
Interest income		**4,296**	3,074
Other operating income		**31,064**	21,039
Fair value gains on investment properties		**66,304**	144,948
Gain on disposal of investment properties		**5,280**	–
Fair value gains/(losses) on biological assets		**3,664**	(5,588)
Excess over the cost of business combinations		**241,308**	15,071
Impairment of trade receivables		**(13,990)**	(14,719)
Selling and distribution costs		**(103,083)**	(103,523)
Administrative expenses		**(431,153)**	(398,103)
Gain on disposal of available-for-sale financial assets		**1,045**	28,827
Impairment of available-for-sale financial assets		**–**	(553)
Fair value gains/(losses) on financial assets at fair value through profit or loss		**1,261**	(16,046)
Interest expense for margin financing and money lending operations		**(16,717)**	(6,636)
Reversal of impairment of property, plant and equipment		**11,620**	110
PROFIT FROM OPERATIONS		**305,580**	166,517
Finance costs		**(34,608)**	(20,622)
Share of profits and losses of associates		**35,772**	46,099
Write-back of provision for advances to associates		**–**	20,657
PROFIT BEFORE TAX		**306,744**	212,651
Tax	3	**(24,648)**	(31,796)
PROFIT FOR THE YEAR		**282,096**	180,855
Attributable to:			
Equity holders of the Company		**205,318**	96,574
Minority interests		**76,778**	84,281
		282,096	180,855
DIVIDEND		**–**	–
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	4	**HK11.3 cents**	HK5.3 cents

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Biological assets		**65,000**	62,000
Property, plant and equipment		**364,321**	324,830
Investment properties		**950,618**	497,483
Prepaid land lease payments		**30,955**	18,070
Construction in progress		**208,737**	97,162
Loans receivable		**5,979**	6,401
Interests in associates		**310,762**	376,576
Goodwill		**21,445**	7,872
Intangible assets		**836**	836
Available-for-sale financial assets		**60,202**	41,328
Other non-current assets		**47,458**	45,740
Deferred tax assets		**9,776**	14,021
Total non-current assets		**2,076,089**	1,492,319
CURRENT ASSETS			
Inventories		**361,283**	352,370
Trade and other receivables	*5*	**521,019**	440,959
Loans receivable		**207,726**	152,404
Financial assets at fair value through profit or loss		**132,496**	59,925
Due from related companies		**306**	561
Advances to minority shareholders of subsidiaries		**14,403**	–
Tax recoverable		**12,960**	14,965
Pledged bank deposits		**17,630**	20,980
Cash held on behalf of clients		**363,372**	236,463
Cash and cash equivalents		**365,891**	256,575
		1,997,086	1,535,202
Non-current assets held for sale		**53,300**	–
Total current assets		**2,050,386**	1,535,202
CURRENT LIABILITIES			
Client deposits		**359,586**	225,467
Trade and other payables	*6*	**980,840**	759,580
Interest-bearing bank and other borrowings		**578,798**	280,636
Advances from minority shareholders of subsidiaries		**–**	11,537
Due to related companies		**62**	985
Tax payable		**35,785**	28,682
Total current liabilities		**1,955,071**	1,306,887
NET CURRENT ASSETS		**95,315**	228,315
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,171,404**	1,720,634

		As at 31 December	
		2006	2005
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**188,539**	112,495
Advances from shareholders		**21,896**	26,913
Advances from minority shareholders of subsidiaries		**53,249**	24,951
Provision for severance payment		**32,601**	–
Deferred tax liabilities		**139,755**	15,782
Total non-current liabilities		**436,040**	180,141
Net assets		**1,735,364**	1,540,493
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**45,584**	45,584
Reserves		**1,148,310**	926,845
		1,193,894	972,429
Minority interests		**541,470**	568,064
Total equity		**1,735,364**	1,540,493

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 2005 annual financial statements. The change in accounting policy as required by an accounting standard which came into effect during the year does not have any significant impact on the Group's financial statements.

2. REVENUE AND SEGMENTAL INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; commission and brokerage income; profit and loss on the trading of securities, interest income from financial services, 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 activity is as follows:

	Turnover		Contribution to profit/(loss) from operations	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trading and manufacturing	**2,081,985**	2,254,878	**45,438**	90,118
Property investment and development	**23,432**	12,765	**83,148**	154,095
Travel and related services	**1,908,586**	1,629,861	**25,427**	12,168
Securities and financial service	**159,240**	113,846	**19,923**	(23,382)
Media and publications	**197,815**	210,058	**(65,946)**	(54,376)
Information and technology	**72,050**	82,406	**(794)**	(49)
Agriculture produce	**1,264**	1,306	**(1,521)**	(11,151)
Investment holding	**–**	–	**199,905**	(906)
	4,444,372	4,305,120	**305,580**	166,517

3. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) 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, based on existing legislation, interpretations and practices in respect thereof.

4. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK$205,318,000 (2005: HK$96,574,000) and 1,823,401,000 (2005: 1,823,401,000) ordinary shares in issue during the year.

Diluted earnings per share amounts for the two years ended 31 December 2006 and 2005 have not been disclosed as no diluting events existed during these years.

5. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK$379,024,000 (2005: HK$322,202,000). The Group's trading terms with its customers are on credit with credit period ranging from period of two days 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.

An aged analysis of trade receivables as at the balance sheet dates, based on the invoice date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 90 days	**346,375**	303,164
91 to 180 days	**24,179**	17,599
181 to 365 days	**5,154**	664
Over 1 year	**3,316**	775
	379,024	322,202

6. **TRADE AND OTHER PAYABLES**

Included in trade and other payables of the Group are trade payables of HK$684,948,000 (2005: HK$536,082,000) and their aged analysis based on invoice date is as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 90 days	**563,608**	453,139
91 to 180 days	**64,737**	50,929
181 to 365 days	**35,861**	17,684
Over 365 days	**20,742**	14,330
	684,948	536,082

The trade payables are non-interest-bearing and are normally settled on up to 210-day terms. The trade payables related to securities, bullion and commodities dealings are payable on the settlement dates of the relevant trades or upon demand of customers.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded turnover of HK$4.4 billion and profit attributable to the equity holders of the Company of HK$205.3 million for the year ended 31 December 2006, representing an increase of 3% in turnover and an increase of 2.1 times in profit as compared to 2005.

Trading and Manufacturing

The segment recorded a 7.7% drop in turnover to HK$2.1 billion and a profit of HK$45.4 million in 2006, a decrease of 49.6% as compared to 2005.

Our diversified industrial operations in the PRC faced similar harsh macroeconomic factors, namely increased worker wages, appreciation of the Renminbi, and rising raw material prices. Profit performance suffered relatively minor setbacks, with the major impact on the profit performance from the consolidation of the loss attributable to the footwear manufacturing operation of Nority International Group Limited ("Nority").

2006 was a year of corporate restructuring for our manufacturing segment with two major accomplishments: the privatization of Wah Shing International Holdings Limited ("Wah Shing"), previously listed on the Singapore Exchange, and the acquisition of an additional interest in Nority. By grouping our various manufacturing units under one umbrella, we plan to streamline our operations in the long-term.

Property Investment and Development

Our property portfolio reported a rental profit of HK$11.6 million and a revaluation gain of HK$66.3 million. During the year, we disposed of certain Hong Kong properties at aggregate cash proceeds of HK$39.2 million, and recorded a gain on disposal of HK$5.3 million.

This year, our Group expanded our property interests in the PRC by increasing our controlling stake in a joint venture that holds a sizeable site within the central retail district in Nanjing ("the Nanjing retail site"), the provincial capital city of Jiangsu. We now hold a 87% interest in the Nanjing retail site, which involves retail floor area in excess of 50,000 square metres and is held primarily for rental purposes.

Our Hong Kong rental portfolio performed satisfactorily.

Travel and Related Services

Hong Kong Four Seas Tours Limited ("Fourseas") recorded a 17.1% increase in turnover to HK$1.9 billion and almost doubled operating profit to HK$25.4 million in the year 2006. Fourseas benefited from a strong increase in passenger volume in the market and further strengthened its position in the ticketing wholesale market.

Securities and Financial Services

Our securities and financial services segment reported an increase in turnover to HK$159.2 million and a profit of HK$19.9 million for the year 2006, representing a 39.9% increase in turnover.

Commission income from securities and commodities broking benefited from increases in stock turnover and income from margin financing activities rose substantially due to a number of sizable initial public offers launched during last year.

Media and Publications

Our media arm achieved a turnover of HK$197.8 million, a decrease of 5.8% year-on-year, while recording a loss of HK$65.9 million, as compared with a loss of HK$54.4 million in 2005. The significant underperformance of this segment resulted in management decision to divest several loss making magazines in both Hong Kong and PRC market.

Information and Technology

For our IT segment, the turnover decreased from HK$82.4 million in 2005 to HK$72.1 million in 2006 and operating loss increased from HK$49,000 in 2005 to HK$794,000 in 2006. The increased loss was largely due to increase in administrative expenses.

Agriculture

The agricultural business units reported a loss of HK$5.2 million in this year as compared with a loss of HK$5.6 million in 2005 before gain or loss on fair value of biological assets. We benefited from some cost savings made in our Guangzhou lychee farm operations but the business unit continues to be in its investment period due to our expanding winter dates project in Hebei.

POST BALANCE SHEET EVENTS

(a) On 6 November 2006, Micon Limited ("Micon", a wholly-owned subsidiary of South China Industries Limited ("SCI")) entered into agreements with an independent third party relating to the sale and purchase of 255,885,561 shares of Nority beneficially owned by Micon at an aggregate consideration of approximately HK$105 million. The transaction was approved at an extraordinary general meeting of Nority on 3 January 2007 and completed on 5 January 2007. Nority ceased to be a subsidiary of the Group upon completion.

(b) On 9 January 2007, WTS International (BVI) Limited, a wholly owned subsidiary of SCI, entered into an agreement with South China Land Limited ("SCL") (formerly Capital Publications Limited) in relation to the disposal of 51% equity interest in Praise Rich Limited ("Praise Rich") at a consideration of HK$408 million by way of issuance of convertible note of SCL. The transaction was approved at an extraordinary general meeting of the Company on 8 March 2007 and completed on 12 March 2007. Praise Rich ceased to be a subsidiary of the Group and was accounted for as an associate of the Group upon completion.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year,

(1) the Group completed the privatization of Wah Shing.

(2) the Group increased its controlling stakes in Nority from 42.5% to 95.4%. Furthermore, the Group entered into agreements to disposal of its equity interest in Nority in late 2006.

(3) the Group acquired 87% equity interest in a joint venture in Nanjing Weifeng at a consideration of approximately RMB41.7 million.

Save as disclosed above, there were no material acquisitions and disposals during the year.

PROSPECTS

Trading and Manufacturing

Our toys operation is faced with a tough operating environment for the near future, as there is no short-term solution for the adverse trends in currency, material prices, and wage rates. Nevertheless, our management believes that if we re-focus our efforts on efficiency and continue to broaden our customer base, in the long run we will stay ahead of competitors.

Our shoes operation was again awarded "International Supplier of the Year 2006" by Wal-Mart, a major customer of the footwear manufacturing operation. This is the fourth consecutive year we received this award. The operation is on track to deliver record turnover for 2007 as our previous enlargements and improvements to our factory base are being reflected in increased output.

Property Investment and Development

Subsequent to the increase in stake in the joint venture that owns the Nanjing retail site, a prime retail site in Yunan North Road, Gulou District, the main shopping district of Nanjing city, we are putting in greater efforts to tap its full development potential and to upgrade its current rental mix. We expect to see improving rental income from the joint venture in the coming years.

We are now in the process of increasing our controlling stake in a few other joint ventures that own sizable and valuable land bank in Nanjing that possess high potential for commercial or residential development. We anticipate concluding the acquisitions in 2007.

In early 2007, the Group transferred a 51% equity interest in the property development project of a prime retail shopping complex in Shenyang to a related company, SCL which is listed on the GEM Board. The project is located in "Zhong Jie (中街)", the central commercial district of Shenyang city with a site area of approximately 25,000 square meters and will give us gross retail rental floor area of approximately 120,000 square meters. The Group in return receives a non-interest bearing convertible note in the principal amount of HK$408 million due in 2012 carrying a right to subscribe for SCL shares at HK$0.075 per share before maturity. Upon full conversion of the convertible note, the Group may hold up to a 75% of SCL, subject to the minimum public float requirement of the Stock Exchange.

In addition to holding the Shenyang property development project, SCL has recently entered two property projects in the mainland. The first project in which SCL will have a 70% interest, involves 400,000 square metres of site area in the commercial centre of the coastal economic development region of Tianjin-Bohai (天津渤海臨港經濟技術開發區). It is a contractual agreement with the aforementioned development region whereby SCL is responsible for the re-location and redevelopment of the commercial district. The second project in which SCL will have a 49% interest, involves 20 square kilometers of site area in the Huanghua Port Development Zone. This is a joint development project with 滄州港口投資開發有限公司, to reclaim and redevelop land adjacent to the Huanghua Port for residential and industrial use.

In August 2006, the State Council passed the National Plan for Coastal Port Layout, the highest-level national port plan of China. Of the five large-scale ports, Bohai Sea Area is to be developed into a large modern port group, consisting of Liaoning, Tianjin-Hebei (Cangzhou), and Shandong Coastal Ports, to service the social and economic development of Beijing, Tianjin, the north coastal areas and inland areas of China. The facilities of Tianjin-Hebei coastal port will include coal shipping ports, large-scale transfer, warehousing and transportation for large quantity bulk cargo, including oil, natural gases, iron ore and foods, and facilities for passenger transportation and commercial car transfer.

Given the Group's long term presence and investment in the Tianjin-Tanggu (天津－塘沽) region over the last 15 years, the senior management of the Group has built very extensive knowledge and understanding of the recent development in the Tianjin-Bohai (天津－渤海) region. As a result, the Group is well positioned to participate in the rapid development of the region.

It is the strategy of the Group to fully and extensively engage in development and restructuring of land parcels as well as development and construction of industrial, commercial and residential properties in the region to service the expected rapid growth of the Tianjin-Hebei Coastal Port and Cangzhou Bohai New Zone.

Travel and Related Services

Fourseas seeks to build upon the success of last year to further increase its market share. During the first quarter of 2007, we set up a project team to investigate and negotiate potential joint venture deals in the PRC. Progress so far is very promising, and management believes we can make good use of Fourseas' outbound market share to develop new revenue models.

We will continue to look for expansion possibilities within Mainland China either in the form of joint venture with a local partner, or chartered flights or local tourism related projects. Management believes that Fourseas' outbound market share will assist in developing new revenue models.

Securities and Financial Services

In March 2007, the Group's principal listed subsidiary engaging in financial related services officially changed its company name to South China Financial Holdings Limited (formerly known as South China Brokerage Company Limited) to reflect its commitment for expansion and diversification strategies. We will continue to focus on growing the securities broking arm and capturing the influx of Mainland China related IPOs. To fortify our position amongst our competitors, the Group will develop more valuable features on our online trading platform to improve services to clients.

For the money lending business, the Group plans to open one more branch that will create a new channel for target marketing. The Group will continue to expand its lending business through more aggressive promotions and marketing activities to a wider spectrum including SME customers in Hong Kong.

In the PRC, the Group has long established a number of footholds through its joint ventures or representative offices in the mainland to strengthen its investment banking and corporate finance activities in various regions. Management believes that this established platform should be fully exploited to further expand our business in the PRC in the near future. Our plan is to grow by direct investments into related financial industries, as well as to extend our financial services beyond corporate finance in the region.

Media and Publications

Management focus for this year will be to turn the magazine business around, by aiming to achieve profitability both in Hong Kong and in the PRC markets.

Information and Technology

The information and technology operation will further expand in the provision of services and software development. Management will streamline operations and aim to be profitable.

Agriculture

As of first quarter 2007, we have added acreage in Chongqing for our agricultural arm for the purposes of forestry and fruit tree plantation. We are still looking to expand acreage in Jiangsu and Hebei as rental cost is still relatively low in the region, and on top of our recent Chongqing expansion we are also considering other Northern provinces of the PRC. On the business side, apart from developing the forestry plantation in Chongqing, management is looking into agricultural wholesale markets as a new revenue source and has already negotiated with the government in Hebei for suitable land.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "CG Code") 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 2006 with the exception that the Non-executive Directors are not appointed for a specific term and the Articles of Association of the Company does not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment. In view of good corporate governance practices, all Non-executive Directors have agreed to comply with the Listing Rules and that their term of appointment will be limited accordingly. Furthermore, every director of the Company, including those appointed for a specific term, voluntarily retires from his office by rotation at least once every three years notwithstanding that he is not required to do so by the Articles of Association of the Company. Amendments to the Articles of Association of the Company have been proposed at the forthcoming Annual General Meeting in order to bring the Articles of Association of the Company in line with the changes brought about by the amendments to the Listing Rules as well as the provisions of the CG Code.

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

During the year ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the independence of Auditors, the Group's financial statements and system of internal control. The audit committee comprises four Non-executive Directors, out of which 3 of them are Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett, Ms. Wong Siu Yin, Elizabeth and Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2006 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.

SCOPE OF WORK OF ERNST & YOUNG

The preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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 (3) Mr. David John Blackett, Ms. Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei as Independent Non-executive Directors.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 17 April 2007

A copy of this Announcement can be obtained from our website www.sctrade.com

南 華 集 團 成 員
A Member of South China Group

Please also refer to the published version of this announcement in The Standard.