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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 2010

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 2010 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
CONTINUING OPERATIONS			
Revenue	2	281,645	215,792
Cost of sales		<u>(147,195)</u>	<u>(114,374)</u>
Gross profit		134,450	101,418
Other income		8,588	87,417
Fair value gain on an investment property		200	-
Fair value loss on financial assets at fair value through profit or loss		(23,048)	(5,734)
Selling and distribution costs		(7,923)	(7,740)
Administrative expenses		(100,906)	(86,842)
Equity-settled share option expense		(4,069)	(12,214)
Other operating expenses, net		<u>(3,182)</u>	<u>(1,857)</u>
Profit from operations	2	4,110	74,448
Finance costs		(6,919)	(3,846)
Share of profits and losses of associates		<u>(43)</u>	<u>82</u>
(Loss)/profit before tax	3	(2,852)	70,684
Income tax expense	4	<u>(5,741)</u>	<u>(4,116)</u>
(Loss)/profit for the year from continuing operations		(8,593)	66,568

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		<u>-</u>	<u>10,564</u>
(Loss)/profit for the year		<u>(8,593)</u>	<u>77,132</u>
Attributable to:			
- Owners of the Company		(13,532)	83,746
- Non-controlling interests		<u>4,939</u>	<u>(6,614)</u>
		<u>(8,593)</u>	<u>77,132</u>
(Loss)/earnings per share attributable to owners of the Company	5		
Basic			
- For (loss)/profit for the year		<u>HK(0.7) cent</u>	<u>HK4.6 cents</u>
- For (loss)/profit from continuing operations		<u>HK(0.7) cent</u>	<u>HK3.6 cents</u>
Diluted			
- For (loss)/profit for the year		<u>HK(0.7) cent</u>	<u>HK4.6 cents</u>
- For (loss)/profit from continuing operations		<u>HK(0.7) cent</u>	<u>HK3.6 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2010	2009
	HK\$'000	HK\$'000
(Loss)/profit for the year	(8,593)	77,132
Other comprehensive (loss)/income		
Change in fair value of available-for-sale financial assets	(4,489)	22,781
Exchange differences on translation of foreign operations	3,698	132
Other comprehensive (loss)/income for the year	(791)	22,913
Total comprehensive (loss)/income for the year	(9,384)	100,045
Attributable to:		
- Owners of the Company	(15,628)	106,714
- Non-controlling interests	6,244	(6,669)
	(9,384)	100,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2010	2009
		HK\$'000	HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		18,227	17,892
Investment property		25,200	25,000
Prepaid land lease payments	6	17,726	10,337
Interests in associates		702	720
Biological assets		1,264	-
Available-for-sale financial assets	7	33,166	37,655
Other non-current assets	8	27,345	26,616
Goodwill		5,500	5,568
		<hr/>	<hr/>
Total non-current assets		129,130	123,788
Current assets			
Inventories		48,720	40,775
Trade and other receivables	9	257,241	180,287
Financial assets at fair value through profit or loss	10	43,950	67,977
Due from affiliates		2,037	-
Advances to non-controlling shareholders of subsidiaries		1,694	1,635
Pledged bank deposits		16,885	14,625
Cash and cash equivalents		65,998	58,007
		<hr/>	<hr/>
Total current assets		436,525	363,306
Current liabilities			
Trade and other payables	11	197,466	170,780
Interest-bearing bank and other borrowings		109,765	105,187
Advances from non-controlling shareholders of subsidiaries		404	408
Due to affiliates		-	4,478
Tax payable		2,060	763
		<hr/>	<hr/>
Total current liabilities		309,695	281,616
		<hr/>	<hr/>
Net current assets		126,830	81,690
		<hr/>	<hr/>
Total assets less current liabilities		255,960	205,478

	As at 31 December	
	2010	2009
	HK\$'000	HK\$'000
Non-current liabilities		
Advances from shareholders	62,860	6,029
Deferred tax liabilities	2,385	2,499
	<hr/>	<hr/>
Total non-current liabilities	65,245	8,528
	<hr/>	<hr/>
Net assets	190,715	196,950
	<hr/> <hr/>	<hr/> <hr/>
Equity		
Equity attributable to owners of the Company		
Issued capital	45,584	45,584
Reserves	104,172	115,731
	<hr/>	<hr/>
	149,756	161,315
Non-controlling interests	40,959	35,635
	<hr/>	<hr/>
Total equity	190,715	196,950
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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 2009 annual financial statements except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2010 as disclosed in the audited 2009 annual financial statements. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

2. Revenue and segmental information

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered and commission income during the year.

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

For the year ended 31 December 2010

	Travel and related services HK\$000	Information technology HK\$000	Trading and manufacturing of jewellery HK\$000	Forestry HK\$000	Investment holding HK\$000	Total HK\$000
Segment revenue:						
Sales to external customers and revenue	90,974	158,414	32,257	-	-	<u>281,645</u>
Segment results	30,449	13,985	1,412	(4,359)	(37,377)	4,110
<i>Reconciliation:</i>						
Finance costs						(6,919)
Share of profits and losses of associates						<u>(43)</u>
Loss before tax						<u>(2,852)</u>
Segment assets and total assets	233,953	128,990	28,722	30,523	143,467	<u>565,655</u>
Segment liabilities	136,260	51,886	2,988	1,050	68,546	260,730
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						<u>114,210</u>
Total liabilities						<u>374,940</u>

For the year ended 31 December 2009

	Travel and related services HK\$000	Information technology HK\$000	Trading and manufacturing of jewellery HK\$000	Forestry HK\$000	Investment holding HK\$000	Total HK\$000
Segment revenue:						
Sales to external customers and revenue from continuing operations	71,171	126,465	18,156	-	-	<u>215,792</u>
Segment results	18,879	1,459	453	-	53,657	74,448
<i>Reconciliation:</i>						
Finance costs						(3,846)
Share of profits and losses of associates						<u>82</u>
Profit before tax from continuing operations						<u>70,684</u>
Segment assets and total assets	185,278	97,292	20,091	14,954	169,479	<u>487,094</u>
Segment liabilities	111,213	52,343	3,103	6,454	8,582	181,695
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities						<u>108,449</u>
Total liabilities						<u>290,144</u>

	Revenue	
	2010	2009
	HK\$'000	HK\$'000
By geographical location #:		
Hong Kong	81,684	67,424
Mainland China	199,961	148,368
	281,645	215,792

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

3. (Loss)/profit before tax

For the year ended 31 December 2010, (loss)/profit before tax is arrived at after charging depreciation of approximately HK\$3,116,000 (2009: approximately HK\$4,045,000) in respect of the Group's property, plant and equipment and amortisation of approximately HK\$822,000 (2009: Nil) in respect of the Group's prepaid land lease payments.

4. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

5. (Loss)/earnings per share attributable to owners of the Company

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

	2010	2009
	HK\$'000	HK\$'000
<u>(Loss)/earnings</u>		
(Loss)/profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation	(13,532)	83,746
(Loss)/profit attributable to owners of the Company, used in the diluted (loss)/earnings per share calculation:		
From Continuing Operations	(13,532)	66,540
From Discontinued Operations	-	17,206
	(13,532)	83,746
	2010	2009
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculations	1,823,401,000	1,823,401,000

The Company's share options have no dilutive effect for the two years ended 31 December 2010 and 2009 because the exercise price of the Company's share options was higher than the average market price for shares for the two years ended 31 December 2010 and 2009.

6. Prepaid land lease payments

The leasehold land is held under medium term leases and is situated in Mainland China.

7. Available-for-sale financial assets

The shares held by the Group included the shares of South China (China) Limited *Stock Code 413* (“SCC”) of approximately HK\$32.7 million as at 31 December 2010.

8. Other non-current assets

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

9. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of HK\$187,795,000 (2009: HK\$133,492,000). The Group's trading terms with its customers are on credit with credit periods ranging from period of one to three months (2009: 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:

	2010 HK\$'000	2009 HK\$'000
Within 90 days	170,694	125,218
91 to 180 days	12,329	8,049
181 to 365 days	2,884	225
Over 365 days	1,888	-
	<u>187,795</u>	<u>133,492</u>

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

10. Financial assets at fair value through profit or loss

The shares held by the Group included the shares of South China Financial Holdings Limited *Stock Code 619* and South China Land Limited *Stock Code 8155*.

11. Trade and other payables

Included in trade and other payables of the Group are trade payables of HK\$138,539,000 (2009: HK\$129,022,000) and their aging analysis as at the end of reporting period on invoice date is as follows:

	2010	2009
	HK\$'000	HK\$'000
Within 90 days	135,926	125,365
91 to 180 days	773	137
181 to 365 days	295	3,391
Over 365 days	1,545	129
	<u>138,539</u>	<u>129,022</u>

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (2009: 15 to 90 days).

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

12. Event after the reporting period

Subsequent to the end of reporting period, senior executives (involved are the general manager (who is also a director of South China Zenith) and the assistant general manager) of Chongqing South China Zenith Information Technology Co., Ltd. ("South China Zenith"), a 60% owned subsidiary of the Company, were summoned by the local government authority in Mainland China to assist in an investigation (the "Investigation"). The accounting records, including the general ledger and relating supporting documents, were seized by the local government authority. The Group's consolidated financial statements have consolidated the results of South China Zenith based on the unaudited management accounts for the year ended 31 December 2010.

At the date of approval of these financial statements, the Investigation is still underway and the Board has not been informed by the local government authority as to the reason for the Investigation. In the absence of further information about the Investigation, the Board is currently not aware of any circumstances which will lead it to believe the Investigation would result in significant adverse implications to the Group's financial position.

Unaudited financial information of South China Zenith was set out in management discussion and analysis.

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

Basis for disclaimer of opinion

As further explained in note 49 to the financial statements, subsequent to the end of reporting period, the accounting records of the Group's subsidiary, Chongqing South China Zenith Information Technology Co. Ltd. ("South China Zenith"), were seized by the local government authority in Mainland China for investigation (the "Investigation"). We were unable to obtain sufficient evidence or perform alternative procedures to verify the net assets of HK\$48,875,000 as at 31 December 2010 and net profit of HK\$9,512,000 for the year then ended of South China Zenith which were consolidated in the Group's consolidated financial statements for the year ended 31 December 2010. Details of the financial information of South China Zenith are disclosed in note 49 to financial statements. As a result, we were unable to determine whether any adjustments were necessary in respect of the Group's statement of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the disclosures to the financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the "Basis for disclaimer of opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

The Group recorded revenue of HK\$281.6 million and a loss attributable to owners of the Company of HK\$13.5 million for the year ended 31 December 2010. As compared to 2009, revenue increased by 30.5% while the annual results turned from profit to loss due to bigger fair value loss on financial assets at fair value through profit or loss.

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\$281.6 million and a net loss of HK\$8.6 million for the year ended 31 December 2010. The principal businesses of the Group include travel and related services, information technology, trading and manufacturing and forestry.

Travel and Related Services

Hong Kong Four Seas Tours recorded a 27.8% increase in revenue to HK\$91.0 million (2009: HK\$71.2 million) and a 61.3% increase in profit from operations to HK\$30.5 million (2009: HK\$18.9 million) for the year ended 31 December 2010. The recovery in earnings was mainly attributable to the rebound of the global travel industry after the financial tsunami. Our revenue and profit margin were boosted by the increase in business travel as well as the increase in the number of flights in the second half of 2010. As corporate clients continue to seek high quality services, Hong Kong Four Seas Tours has been able to increase its market share in the past two years. The enlarged global corporate client base enabled us to expand our MICE (meeting, incentive, conference, event) operation in Hong Kong and Mainland China in the past year.

Information Technology

The IT segment reported a 25.3% increase in revenue to HK\$158.4 million and more than a eight-fold increase in profit from operations to HK\$14.0 million for the year ended 31 December 2010 after a major revamp in 2009. Our principal subsidiaries in this segment, are mainly involved in system integration, software development and supply chain system development. Over the past few years, Chongqing has evolved into an information technology development centre due to substantial government investment in the Xiyong District. One of our subsidiaries has generated strong revenue growth through its involvement in developing its electronic system.

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 a 77.7% increase in revenue to HK\$32.3 million (2009: HK\$18.2 million) and 211.7% increase in profit from operations to HK\$1.4 million (2009: HK\$453,000).

Forestry

As at 31 December 2010, we occupied approximately 230,000 mu of woodland area for forest plantation in Chongqing and Wuhan, the PRC. On 11 January 2011, the Company announced the sale of its forestry operation to SCC for a consideration of HK\$23.8 million. The disposal of the forestry business allows more management time and resources to be spent on its other businesses.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the year ended 31 December 2010, the Group did not make any material acquisition or disposal.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group had a current ratio of 1.41 and a gearing ratio of 0% (31 December 2009: 1.29 and 0% respectively). The gearing ratio was computed by comparing the Group's total long-term bank borrowings to total equity. As at 31 December 2010 and 31 December 2009, the Group had no long-term bank borrowings. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EVENT AFTER THE REPORTING PERIOD

(i) In January 2011, the Group disposed of its entire interest in Thousand China Investments Limited ("Thousand China") to a direct wholly-owned subsidiary of SCC, which a director of the Company is the controlling shareholder for a consideration of HK\$23.8 million. Thousand China and its subsidiaries are engaged in forest plantation in the PRC. Details of the transaction are disclosed in the announcement of the Company dated 11 January 2011.

(ii) As mentioned in our announcement dated 28 March 2011 and clarification announcement dated 29 March 2011, subsequent to the end of the reporting period ended 31 December 2010, senior executives (involved are the general manager (who is also a director of South China Zenith) and the assistant general manager) of Chongqing South China Zenith Information Technology Co., Ltd. ("South China Zenith"), a 60% owned subsidiary of the Company, were summoned by the local government authority in Mainland China to assist in an investigation (the "Investigation"). The accounting records, including the general ledger and relating supporting documents, were seized by the local government authority.

Income statement for the year ended 31 December 2010

	HK\$'000
Revenue	148,893
Cost of sales	<u>(122,876)</u>
Gross profit	26,017
Other income	2,119
Selling and distribution costs	(1,822)
Administrative expenses	(14,330)
Finance costs	<u>(1,466)</u>
Profit before tax	10,518
Income tax expense	<u>(1,006)</u>
Profit for the year	<u><u>9,512</u></u>

Statement of financial position as at 31 December 2010

	HK\$'000
Non-current assets	
Property, plant and equipment	11,208
Interests in a subsidiary	3,530
Interests in a fellow subsidiary	706
Interests in an associate	<u>588</u>
Total non-current assets	<u>16,032</u>
Current assets	
Inventories	26,202
Trade and other receivables	57,412
Due from immediate holding company	9,176
Due from fellow subsidiary	24
Due from related companies	1,474
Cash and cash equivalents	<u>19,588</u>
Total current assets	<u>113,876</u>
Current liabilities	
Trade and other payables	48,730
Due to a subsidiary	1,546
Due to a fellow subsidiary	882
Interest-bearing bank and other borrowings	29,495
Advances from non-controlling shareholders of subsidiaries	<u>380</u>
Total current liabilities	<u>81,033</u>
Net current assets	<u>32,843</u>
Net assets	<u><u>48,875</u></u>

Analysis on financial information of South China Zenith attributable to the Company is as follows:

	<i>Notes</i>	South China Zenith HK\$'000	Group HK\$'000
Net assets		<u>48,875</u>	<u>190,715</u>
Net assets attributable to equity owners of the Company		<u>29,325</u>	<u>149,756</u>
Sales proceeds received and receivable	<i>1</i>	<u>148,893</u>	<u>2,815,618</u>
Profit for the year of operating subsidiaries	<i>2</i>	<u>9,512</u>	<u>31,408</u>
Profit for the year of operating subsidiaries attributable to equity owners of the Company	<i>2</i>	<u>5,707</u>	<u>26,737</u>

Note 1: Sales proceeds received and receivable of the Group are calculated on the basis of including the gross sales proceeds received and receivable in relation to travel and related services amounting HK\$2,625 million, which is demonstrated in the reconciliation below:

	HK\$'000
Revenue in consolidated income statement	281,645
Less: Net sales proceeds received and receivable in relation to travel and related business	(90,974)
Add: Gross sales proceeds received and receivable in relation to travel and related business	2,624,947
	<hr/>
Gross sales proceeds received and receivable	<u>2,815,618</u>

Note 2: Operating subsidiaries include subsidiaries engaged in travel and related services, information technology (including South China Zenith), trading and manufacturing of jewellery business and forestry business.

As mentioned in our announcement dated 28 March 2011 and clarification announcement dated 29 March 2011, so far as the Board is aware, the Investigation is still underway and that the daily operation of South China Zenith is carried on in the usual manner. The Board is currently not aware of any circumstances which would result in significant implications to South China Zenith's financial position. In any event, the Board does not consider that the Investigation would have a significant implication to the Group's financial position.

PROSPECTS

Hong Kong Four Seas Tours will continue to develop its online booking platform and enhance its computer system 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 Hong Kong Four Sea Tours to expand its corporate client base.

In Mainland China, Hong Kong Four Seas Tours already has branches in Beijing, Shanghai, Chongqing, Guangzhou and Shenzhen. In the coming year, we will extend our MICE operation to Shanghai. Given the great potential in Mainland China, we will also expand our network to other major cities in 2011. Our operation in Mainland China has contributed more than 15% of Hong Kong Four Seas Tours' gross sales proceeds received and receivable in 2010 and we envisage that contribution from these branches will improve in the coming year.

Our IT operation is expected to maintain its growth momentum in the coming year. The electronic system developed by our subsidiary is powerful and well received by our customers. We will continue to expand our electronic system into other provinces in the coming year. Our software development outsourcing business is also growing. 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 expand the point of sales of our jewellery operation in Nanjing by opening more outlets in department stores to achieve revenue growth. We will also control cost by lowering our marketing budget and close down unprofitable outlets in the coming year.

CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has 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 year ended 31 December 2010 with exception to code provision E1.2 in that the Chairman of the Board did not attend the annual general meeting of the Company.

According to code provision E1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 May 2010. There were Executive Directors of the Company attending the annual general meeting in the absence of the Chairman to answer questions on the Group's businesses at the meeting. The Directors believe that this was an exceptional incident and the Company will ensure future compliance with code provision E1.2.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

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 2010 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, 31 March 2011

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) 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.