



# SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

## INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2013

### UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Holdings Limited (the “Company”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013 together with the relevant comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Six months ended 30 June</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Revenue</b>	2	<b>108,276</b>	79,160
Cost of sales		<b>(47,179)</b>	(25,683)
Gross profit		<b>61,097</b>	53,477
Other income		<b>2,866</b>	1,926
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>4,900</b>	(778)
Selling and distribution costs		<b>(4,016)</b>	(3,859)
Administrative expenses		<b>(43,525)</b>	(41,202)
Other operating expenses		<b>(1,210)</b>	(1,404)
<b>Profit from operations</b>	2	<b>20,112</b>	8,160
Finance costs	3	<b>(2,704)</b>	(3,879)
<b>Profit before tax</b>	4	<b>17,408</b>	4,281
Income tax expense	5	<b>(3,549)</b>	(2,132)
<b>Profit for the period</b>		<b>13,859</b>	2,149
Attributable to:			
– Owners of the Company		<b>14,146</b>	2,616
– Non-controlling interests		<b>(287)</b>	(467)
		<b>13,859</b>	2,149
<b>Earnings per share attributable to the owners of the Company for the period</b>	6		
Basic and diluted		<b>HK0.8 cent</b>	HK0.1 cent

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>Profit for the period</b>	<b>13,859</b>	2,149
<b>Other comprehensive income/(loss) for the period</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Changes in fair value on available-for-sale financial assets	3,206	7,695
Exchange differences on translation of foreign operations	1,959	(1,653)
<b>Other comprehensive income for the period</b>	<b>5,165</b>	6,042
<b>Total comprehensive income for the period</b>	<b>19,024</b>	8,191
Attributable to:		
– Owners of the Company	18,802	8,903
– Non-controlling interests	222	(712)
	<b>19,024</b>	8,191

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		8,325	8,031
Investment properties		38,600	38,600
Available-for-sale financial assets		47,916	44,710
Other non-current assets		28,876	28,331
Goodwill		2,994	2,994
		<hr/>	<hr/>
Total non-current assets		126,711	122,666
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		32,598	30,038
Trade and other receivables	7	303,263	220,863
Financial assets at fair value through profit or loss		34,493	30,098
Advances to non-controlling shareholders of subsidiaries		1,842	1,775
Pledged bank deposits		6,835	15,214
Cash and cash equivalents		83,552	31,854
		<hr/>	<hr/>
Total current assets		462,583	329,842
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	8	281,075	143,320
Interest-bearing bank and other borrowings		39,107	62,750
Advances from non-controlling shareholders of subsidiaries		–	25
Tax payable		3,405	1,166
		<hr/>	<hr/>
Total current liabilities		323,587	207,261
		<hr/>	<hr/>
<b>Net current assets</b>		138,996	122,581
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		265,707	245,247
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Advances from shareholders		60,977	59,541
		<hr/>	<hr/>
<b>Net assets</b>		<u>204,730</u>	<u>185,706</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	As at 31 December 2012 (Audited) HK\$'000
<b>Equity</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	45,584	45,584
Reserves	138,237	119,435
	<hr/>	<hr/>
	183,821	165,019
<b>Non-controlling interests</b>	20,909	20,687
	<hr/>	<hr/>
Total equity	<b>204,730</b>	185,706
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to owners of the Company				Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
	Issued capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>		
<b>Balance at 1 January 2013 (audited)</b>	<u>45,584</u>	<u>98,305</u>	<u>21,130</u>	<u>165,019</u>	<u>20,687</u>	<u>185,706</u>
<b>Total comprehensive income for the period</b>	<u>–</u>	<u>4,656</u>	<u>14,146</u>	<u>18,802</u>	<u>222</u>	<u>19,024</u>
<b>At 30 June 2013 (unaudited)</b>	<u><u>45,584</u></u>	<u><u>102,961</u></u>	<u><u>35,276</u></u>	<u><u>183,821</u></u>	<u><u>20,909</u></u>	<u><u>204,730</u></u>
Balance at 1 January 2012 (audited)	<u>45,584</u>	<u>84,314</u>	<u>1,976</u>	<u>131,874</u>	<u>20,680</u>	<u>152,554</u>
Total comprehensive income/(loss) for the period	<u>–</u>	<u>6,287</u>	<u>2,616</u>	<u>8,903</u>	<u>(712)</u>	<u>8,191</u>
At 30 June 2012 (unaudited)	<u><u>45,584</u></u>	<u><u>90,601</u></u>	<u><u>4,592</u></u>	<u><u>140,777</u></u>	<u><u>19,968</u></u>	<u><u>160,745</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Net cash flows from operating activities	<b>69,201</b>	51,377
Net cash flows used in investing activities	<b>(992)</b>	(999)
Net cash flows used in financing activities	<b>(25,403)</b>	(45,192)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>42,806</b>	5,186
Cash and cash equivalents at beginning of period	<b>47,068</b>	72,984
Effect of foreign exchange rate changes, net	<b>513</b>	(375)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<b>90,387</b>	77,795
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances as stated in the condensed consolidated statement of financial position	<b>83,552</b>	61,960
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	<b>6,835</b>	15,835
	<hr/>	<hr/>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<b>90,387</b>	77,795
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## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2013*

### **1. Principal accounting policies and basis of preparation**

The unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Accounting Standards No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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 2012 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and are effective for the annual period beginning on 1 January 2013, as disclosed in the annual financial statements for the year ended 31 December 2012. Except for the adoption of HKAS 1 Amendments, which has resulted in a modification of the presentation of the consolidated statement of comprehensive income, the adoption of the new and revised HKFRSs has had no significant impact on the accounting policies of the Group, the methods of computation used in the preparation of the Group’s interim financial statements and the Group’s results of operations and financial position.

The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (i) items that will not be reclassified to profit or loss and (ii) items that may be reclassified subsequently to profit or loss when specific conditions are met. The adoption of amendments to HKAS 1 does not result in a change in the Group’s accounting policy. The Group has modified the presentation of other comprehensive income in these consolidated financial statements accordingly.

These interim financial statements should be read, where relevant, in conjunction with the 2012 annual financial statements of the Group.

These interim financial statements have been reviewed by the Company’s Audit Committee.

## 2. Revenue and segmental information

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

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

### For the six months ended 30 June 2013

	Travel related and other services (Unaudited) <i>HK\$'000</i>	Trading and manufacturing of jewellery (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue				
Sales to external customers	55,365	52,911	–	<u>108,276</u>
Segment results	17,586	2,148	378	20,112
<i>Reconciliation:</i>				
Finance costs				<u>(2,704)</u>
Profit before tax				<u>17,408</u>

### As at 30 June 2013

	Travel related and other services (Unaudited) <i>HK\$'000</i>	Trading and manufacturing of jewellery (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets and total assets	377,476	36,032	175,786	<u>589,294</u>
Segment liabilities	274,916	4,826	62,310	342,052
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>42,512</u>
Total liabilities				<u>384,564</u>



## 2. Revenue and segmental information (continued)

For the six months ended 30 June 2012

	Travel related and other services (Unaudited) <i>HK\$'000</i>	Trading and manufacturing of jewellery (Unaudited) <i>HK\$'000</i>	Investment holding (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue				
Sales to external customers	47,485	31,675	–	<u>79,160</u>
Segment results	9,100	2,285	(3,225)	8,160
<i>Reconciliation:</i>				
Finance costs				<u>(3,879)</u>
Profit before tax				<u>4,281</u>

As at 31 December 2012

	Travel related and other services (Audited) <i>HK\$'000</i>	Trading and manufacturing of jewellery (Audited) <i>HK\$'000</i>	Investment holding (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets and total assets	251,475	34,823	166,210	<u>452,508</u>
Segment liabilities	135,694	6,233	60,959	202,886
<i>Reconciliation:</i>				
Corporate and other unallocated liabilities				<u>63,916</u>
Total liabilities				<u>266,802</u>

**Revenue from  
external customers**  
**Six months ended 30 June**

	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Hong Kong	43,229	36,497
Mainland China	<u>65,047</u>	<u>42,663</u>
	<u>108,276</u>	<u>79,160</u>

By geographical location\*:

Hong Kong	43,229	36,497
Mainland China	<u>65,047</u>	<u>42,663</u>
	<u>108,276</u>	<u>79,160</u>

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

## 2. Revenue and segmental information (continued)

The gross proceeds received and receivable from the sale of air-tickets and the provision of other travel related services are as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Gross proceeds received and receivable	<b><u>1,673,586</u></b>	<b><u>1,668,195</u></b>

## 3. Finance costs

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<b>1,268</b>	2,507
Interest on advances from shareholders	<b>1,436</b>	1,372
	<b><u>2,704</u></b>	<b><u>3,879</u></b>

## 4. Profit before tax

For the six months ended 30 June 2013, profit before tax is arrived at after charging depreciation of approximately HK\$1,325,000 (six months ended 30 June 2012: approximately HK\$1,416,000) in respect of the Group's property, plant and equipment.

## 5. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

## 6. Earnings per share attributable to the owners of the Company

The calculations of the basic and diluted earnings per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit</b>		
Unaudited profit attributable to the owners of the Company used in the basic earnings per share calculation	<b><u>14,146</u></b>	<b><u>2,616</u></b>

## 6. Earnings per share attributable to the owners of the Company (continued)

	Number of shares	
	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	<b><u>1,823,401,376</u></b>	<u>1,823,401,376</u>

The Company's share options have no dilutive effect for the six months period ended 30 June 2013 and 30 June 2012 because the exercise price of the Company's share options was higher than the average market price of the Company's shares for both periods.

## 7. Trade and other receivables

Included in trade and other receivables of the Group are trade receivables of approximately HK\$252,963,000 (31 December 2012: approximately HK\$171,277,000). The Group's trading terms with its customers are on credit with credit periods ranging from one to three months (31 December 2012: 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 minimise credit risk. Overdue balances are reviewed regularly by senior management.

An ageing analysis of the trade receivables as at the end of the reporting period, based on invoice date and net of provision, is as follows:

	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
Within 90 days	240,321	162,588
91 to 180 days	8,305	4,748
181 to 365 days	3,768	2,355
Over 365 days	569	1,586
	<b><u>252,963</u></b>	<u>171,277</u>

## 8. Trade and other payables

Included in trade and other payables of the Group are trade payables of approximately HK\$235,156,000 (31 December 2012: approximately HK\$87,961,000) and an ageing analysis of the trade payables as at the end of reporting period, based on invoice date, is as follows:

	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
Within 90 days	233,955	86,701
91 to 180 days	145	184
181 to 365 days	92	170
Over 365 days	964	906
	<b><u>235,156</u></b>	<u>87,961</u>

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (31 December 2012: 15 to 90 days).

## 9. Related party transactions

- (a) In addition to the transactions disclosed elsewhere in these interim financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2013 and 2012:

Name of related party	Nature of transaction	Notes	Six months ended 30 June	
			2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Companies in which certain directors have beneficial interests*/#	Net proceeds from air-tickets and travel related services sold	(i)	110	106
Companies in which certain directors have beneficial interests**	Rental expenses	(i)	1,269	1,269
Shareholders#	Interest expenses	(ii)	1,436	1,372

\* The directors of the Company are also directors and/or substantial shareholders of the related companies.

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

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

Notes:

(i) These transactions were charged at prevailing market rates.

(ii) The interest expenses were charged at the Hong Kong dollar prime rate per annum on the outstanding balances due to the shareholders.

- (b) Outstanding balances with related parties:

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

- (c) Compensation of key and senior management personnel of the Group:

Executive directors are the key and senior management personnel of the Group. Details of their remuneration are as follows:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Fees, salaries, allowances and benefits in kind and pension scheme contribution	1,028	1,028

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Summary

The Group recorded revenue of HK\$108.3 million and a profit after tax of HK\$13.9 million for the six months ended 30 June 2013, representing an increase by 36.8% and 6.4 times respectively as compared to the corresponding period in 2012. The Group's profit before tax and before the fair value changes on financial assets recorded a significant improvement in performance of HK\$7.4 million, or increased by 2.5 times to HK\$12.5 million for the six ended 30 June 2013 as compared to HK\$5.1 million of the corresponding period in 2012.

### Business Review

#### *Travel Related and Other Services*

The travel related and other services segment mainly comprises Four Seas Travel. The segment recorded a 16.6% increase in revenue to HK\$55.4 million and a 93.3% increase in operating profit to HK\$17.6 million for the six months ended 30 June 2013 as compared to the corresponding period in 2012.

For the six months ended 30 June 2013, revenue from Four Seas Travel amounted to HK\$53.5 million, representing a 15.2% increase as compared to the corresponding period in 2012. The reported operating profit increased by 67.0% from HK\$11.6 million for the six months ended 30 June 2012 to HK\$19.3 million for the six months ended 30 June 2013. The increase was mainly attributable to the increase of net revenue by HK\$7.0 million as compared to the corresponding period of 2012. Net revenue from Four Seas Travel's Hong Kong business increased by 18.4% to HK\$43.2 million for the six months ended 30 June 2013. The increase of net revenue of Hong Kong business was mainly attributable to the growth of air-ticket wholesale and corporate travel businesses. To cope with our strategic move, Four Seas Travel has extended our reach to the Mainland China since 2007 and has a total of six branches in Shenzhen, Guangzhou, Chongqing, Nanjing, Shanghai and Beijing. Net revenue from the Mainland China market increased by 3.2% to HK\$10.3 million for the six months ended 30 June 2013 as compared to the corresponding period in 2012 and accounted for approximately 19.2% (six months ended 30 June 2012: 21.5%) of the total net revenue of Four Seas Travel. Four Seas Travel was facing the pressure of salary increment in the Mainland China in the first half of 2013, but with the expectation that salary would stabilise and with the effects of promotion and marketing and operating efficiency, management is confident that there would be a gradual and continuing improvement in Four Seas Travel's performance in the Mainland China market in the upcoming future.

#### *Trading and Manufacturing*

The trading and manufacturing segment includes the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store and counters of large department stores in Nanjing. During the first half of 2013, the demand for gold products was boosted by the slide of the international gold price and the revenue has recorded a significant growth despite that the growth was diluted by the decrease in gross margin. The segment recorded a 67.0% increase in revenue to HK\$52.9 million (six months ended 2012: HK\$31.7 million) and profit from operations was HK\$2.1 million (six months ended 30 June 2012: HK\$2.3 million). The slight drop in profit from operations was largely attributable to the decrease in gross margin ratio which outweighed the contribution from revenue growth. The gross margin ratio decreased from 23.5% for the six months ended 30 June 2012 to 14.2% for the six months ended 30 June 2013 but the gross margin remained stable at approximately HK\$7.5 million (six months ended 30 June 2012: approximately HK\$7.4 million). Thus, the segment's performance remained steady during the six months ended 30 June 2013.

As published in the Company's announcements dated 20 June 2013, 26 June 2013, 24 July 2013, 30 July 2013 and 20 August 2013, certain legal proceedings in relation to Nanjing South China Skytech Technology Co., Ltd., and the joint venture partner and certain members of the former management team of the same are in progress. The Group will make further announcement to update the shareholders of any major development of such legal proceedings as and when appropriate.

### **Liquidity and Financial Resources**

As at 30 June 2013, the Group had a current ratio of 1.43 and a gearing ratio of 0% (31 December 2012: 1.59 and 14.3% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. As at 30 June 2013, since the Group had net cash position (cash and cash equivalents less interest-bearing bank and other borrowings) of HK\$44.4 million, no gearing ratio was computed. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

### **Exposure to Fluctuations in Exchange Rates and Related Hedges**

As at 30 June 2013, the Group had no significant exposure to fluctuations in exchange rates and any related hedges.

### **Capital Structure**

The Group had no debt securities or other capital instruments as at 30 June 2013 and up to the date of this report. There was no material change in the Group's capital structure as compared to the most recently published annual report.

### **Material Acquisitions and Disposals of Subsidiaries and Associates**

During the six months ended 30 June 2013, the Group did not have any material acquisition and disposal of subsidiaries and associates.

### **Pledges of Assets, Contingent Liabilities and Commitments**

As at 30 June 2013, there was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recently published annual report.

### **Investments**

During the six months ended 30 June 2013, shares of South China Land Limited recorded a fair value gain of HK\$4.8 million on financial assets at fair value through profit or loss in the condensed consolidated income statement and shares of South China (China) Limited recorded a fair value gain of HK\$3.2 million on available-for-sale financial assets in the condensed consolidated statement of comprehensive income.

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

Fair value hierarchy has been defined in the Group's consolidated financial statements for the year ended 31 December 2012. As at 30 June 2013, the financial instruments measured at fair value held by the Group were classified as level 1.

## **Employees**

As at 30 June 2013, the total number of employees of the Group was 360 (31 December 2012: 381). Employees' costs (including directors' emoluments) amounted to approximately HK\$29.0 million for the six months ended 30 June 2013 (six months ended 30 June 2012: approximately HK\$28.3 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidised training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme on 31 May 2002 which was terminated on 5 June 2012 and was replaced by a new share option scheme which became effective on 11 June 2012.

## **Prospects**

### *Travel Related and Other Services*

Four Seas Travel will continue to allocate resources to promotion and marketing to expand and diversify its product types such as MICE (Meetings, Incentives, Conferences and Exhibitions), hotel booking and cruise products in order to widen our client base in both the Hong Kong and the Mainland China markets. In addition, we will simultaneously emphasise internal training and continue to develop our online booking platform so as to provide high-quality services to our customers and capture the potential market growth in the future. These initiatives also include research and development on new potential distribution channels for our products and improvement for our existing service quality to open up new market segments and target customers. Our leading position in the Hong Kong air-ticket wholesale market gives us strategic advantage in expanding our leisure, MICE and corporate travel businesses, which have all seen steady growth and rise in our market position in the past few years. We will continue to expand our market share to position ourselves as one of the top air-ticket distributors in Hong Kong. In the meanwhile, Four Seas Travel will continue to leverage on our competitive advantage and success in Hong Kong to the Mainland China market. The Group's ultimate strategy is to become one of the major players in the Mainland China market.

### *Trading and Manufacturing*

We are continuously looking for highly potential points of sale in Nanjing and the surrounding cities. In addition, we will strengthen and consolidate the scale of sale and profitability of the existing points of sale in the coming years in order to achieve continuity in revenue growth and profit improvement.

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

As at 30 June 2013, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO ("Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

## The Company

### (i) Long positions in shares

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

### (ii) Long positions in underlying shares

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Mr. Gorges	Beneficial owner	18,000,000 <i>(Note b)</i>	0.99%
Ms. Cheung	Beneficial owner	18,000,000 <i>(Note b)</i>	0.99%
Ng Yuk Fung Peter	Beneficial owner	18,000,000 <i>(Note b)</i>	0.99%
Ng Yuk Mui Jessica ("Ms. Jessica Ng")	Beneficial owner	18,000,000 <i>(Note b)</i>	0.99%

#### Notes:

(a) The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations included 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Eartrade Investments Limited ("Eartrade"). Parkfield, Fung Shing and Ronastar were all wholly owned by Mr. Ng. Bannock was a wholly-owned subsidiary of Eartrade which was owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom were considered as parties to an agreement to which Section 317 of the SFO applied. As such, Mr. Ng, Mr. Gorges and Ms. Cheung were deemed to have an interest in a total of 487,949,760 shares held by Bannock and Eartrade.

(b) Please refer to the details set out in section headed "Share Option Schemes".



Save as disclosed above, as at 30 June 2013, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2013, the following corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO ("Register of Substantial Shareholders' Interests"):

##### ***Long position in shares***

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
Eartrade	Beneficial owner and interest of a controlled corporation	487,949,760 <i>(Note)</i>	26.76%
Bannock	Beneficial owner	237,303,360 <i>(Note)</i>	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%

*Note:* Bannock was a wholly-owned subsidiary of Eartrade. The 487,949,760 shares in the Company held by Eartrade included 237,303,360 shares held by Bannock directly.

Save as disclosed above, as at 30 June 2013, no person or corporation, other than the Directors or the chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

## SHARE OPTION SCHEMES

### (i) 2002 Share Option Scheme

The share option scheme adopted by the Company on 31 May 2002 (the “2002 Option Scheme”) was terminated on 5 June 2012. Share options granted under the 2002 Option Scheme prior to its termination will continue to be valid and exercisable pursuant to the terms of the 2002 Option Scheme. Particulars and movements of the outstanding share options granted under the 2002 Option Scheme during the six months ended 30 June 2013 were as follows:

Name or category of participants	Number of shares comprised in share options				Outstanding as at 30 June 2013	Date of grant of share options (DD/MM/YYYY) <i>(Note a)</i>	Exercise period of share options (DD/MM/YYYY)	Subscription price per share (HK\$) <i>(Note b)</i>
	Outstanding as at 1 January 2013	Exercised	Lapsed during the period	Cancelled				
<b>Directors</b>								
Ms. Cheung	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2010 - 17/09/2017	2.00
Mr. Gorges	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2010 - 17/09/2017	2.00
Ms. Jessica Ng	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2010 - 17/09/2017	2.00
Ng Yuk Fung Peter	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,000,000	-	-	-	6,000,000	18/09/2007	18/09/2010 - 17/09/2017	2.00
Sub-total:	<u>72,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,000,000</u>			
<b>Others</b>								
In aggregate	6,733,333	-	-	-	6,733,333	18/09/2007	18/09/2008 - 17/09/2017	2.00
	6,733,333	-	-	-	6,733,333	18/09/2007	18/09/2009 - 17/09/2017	2.00
	6,733,334	-	-	-	6,733,334	18/09/2007	18/09/2010 - 17/09/2017	2.00
Sub-total:	<u>20,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,200,000</u>			
Total	<u><u>92,200,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>92,200,000</u></u>			

Notes:

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

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
	%
Within 12 months	Nil
13th – 24th months	not more than 33 <sup>1</sup> / <sub>3</sub>
25th – 36th months	not more than 66 <sup>2</sup> / <sub>3</sub>
37th – 120th months	100

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

No share options have been exercised, lapsed, cancelled during the six months ended 30 June 2013. No equity-settled share option expense was recognised by the Company during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

### **(ii) 2012 Share Option Scheme**

At the annual general meeting of the Company held on 5 June 2012, the shareholders approved the adoption of a new share option scheme (the “2012 Option Scheme”) and it became effective on 11 June 2012. Subject to the early termination of the 2012 Option Scheme pursuant to the terms thereof, the 2012 Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective. No share option has been granted under the 2012 Option Scheme since its adoption.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 June 2013, the Company did not redeem any of its shares listed on the Stock Exchange nor did the Company or any of its subsidiaries purchase or sell any such shares.

### **CORPORATE GOVERNANCE**

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2013 except that Mr. Ng, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 4 June 2013, which deviated from code provision E.1.2 since he had other business engagements.

### **CHANGES TO INFORMATION IN RESPECT OF DIRECTORS**

In accordance with Rule 13.51B(1) of the Listing Rules, the only change to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) since the publication of the Company’s Annual Report for the year ended 31 December 2012 up to the date of this report is set out below:

Mr. David Michael Norman was appointed as an independent non-executive director of Guoco Group Limited, a company listed on the Stock Exchange, with effect from 4 July 2013.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding the Directors' securities transactions.

Following a specific enquiry by the Company, all Directors have confirmed in writing their compliance with the required standards set out in the Model Code regarding directors' securities transactions throughout the six months ended 30 June 2013.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Committee), Mr. David John Blackett and Mrs. Tse Wong Siu Yin Elizabeth and a Non-executive Director, namely Mr. David Michael Norman.

The Group's unaudited consolidated results for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

By Order of the Board  
**South China Holdings Limited**  
**Ng Hung Sang**  
*Chairman and Executive Director*

Hong Kong, 27 August 2013

*As at the date of this report, the directors of the Company are (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung Peter as executive directors; (2) Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive directors; and (3) Mr. David John Blackett, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Cheng Hong Kei as independent non-executive directors.*