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SOUTH CHINA HOLDINGS LIMITED

*(Incorporated in the Cayman Islands
with limited liability)
(Stock Code: 265)*



SOUTH CHINA (CHINA) LIMITED

*(Incorporated in the Cayman Islands
with limited liability)
(Stock Code: 413)*

JOINT ANNOUNCEMENT Connected Transaction

THE SALE AND PURCHASE OF EAGLE BONUS SHARE

On 16 December 2009, Thousand China and Beat Time, indirect wholly owned subsidiaries of SCH and SCC respectively, entered into the Agreement pursuant to which Beat Time has agreed to sell the Eagle Bonus Share to Thousand China at a consideration of HK\$8.5 million upon and subject to the terms and conditions set out therein.

INFORMATION ABOUT THE EAGLE BONUS GROUP

Eagle Bonus Group is engaged in forest plantation in the PRC. At present, Eagle Bonus Group occupies approximately 157,372 mu of woodland area for forest plantation in Chongqing and Wuhan, the PRC. As at 31 October 2009, approximately HK\$ 7.2 million was paid for prepaid land leases in respect of the woodlands. The Adjusted NAV of Eagle Bonus Group is approximately HK\$8.5 million.

IMPLICATION UNDER THE LISTING RULES

Mr. Ng Hung Sang, is the chairman and a substantial shareholder of each of SCH and SCC. As such, each of SCC and SCH is a connected party to each other under the Listing Rules and the Transaction constitutes a connected transaction. As each of the percentage ratios under the relevant tests of the Transaction is below 5% and the total consideration is less than HK\$10 million for both SCH and SCC, the Transaction is subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

I. INTRODUCTION

On 16 December 2009, Thousand China and Beat Time entered into the Agreement pursuant to which Beat Time has agreed to sell the Eagle Bonus Share to Thousand China at a consideration of HK\$8.5 million, upon and subject to the terms and conditions set out therein. Thousand China is a wholly owned subsidiary of SCH and a pure investment company which does not engage in any business at the moment. Beat Time, a wholly owned subsidiary of SCC and an investment holding company, holds interests in subsidiaries which are principally engaged in forest plantation business and agricultural business in the PRC.

II. THE AGREEMENT

Date: 16 December 2009

Vendor: Beat Time, a company incorporated in the British Virgin Islands with limited liability

Purchaser: Thousand China, a company incorporated in the British Virgin Islands with limited liability

Asset to be acquired: 1 share in Eagle Bonus, being the entire issued share capital of Eagle Bonus

Principal terms of the Transaction: Completion Date was set on 31 December 2009 or such other date as the parties to the Agreement may agree in writing.

All rights attaching or accruing to the Eagle Bonus Share and all dividends and distribution declared, made or paid on the Eagle Bonus Share or in respect of it on and after 1 January 2010 shall be passed to Thousand China.

Beat Time undertook to Thousand China to procure Eagle Bonus Group to effect the following within three months from the date of the Agreement:

- (a) the transfer of the prepaid land lease payments in respect of two pieces of farmland and certain motor vehicles now held by a subsidiary of Eagle Bonus, totalling HK\$1.6 million as at 31 October 2009, from Eagle Bonus Group to other subsidiaries of SCC;
 - (b) the repayment of the amounts due to certain SCC subsidiaries of approximately HK\$6.2 million by Eagle Bonus Group; and
 - (c) the application for consent of any of the government or regulatory authorities and/or other third parties which are necessary or desirable in connection with the execution and performance of the Agreement and any of the transactions contemplated under the Agreement, if applicable.
- (the “Undertakings”)

Consideration: HK\$8.5 million in cash payable in full on the Completion Date.

The Consideration will be financed by internal resources of SCH Group. SCC Group intends to apply the sale proceeds from the Transaction as general working capital.

III. INFORMATION ABOUT THE EAGLE BONUS GROUP

Eagle Bonus is an investment holding company and its subsidiaries are engaged in forest plantation in the PRC.

At present, Eagle Bonus Group occupies approximately 157,372 mu of woodland area for forest plantation located in Chongqing and Wuhan of the PRC. As at 31 October 2009, approximately HK\$7.2 million was paid for prepaid land lease payments in respect of the woodlands. The amortized values of the prepaid land lease payments in respect of these woodlands as at 31 October 2009 as carried in the books of Eagle Bonus Group was approximately HK\$7.1 million.

The business is now at its initial development stage. Eagle Bonus Group has not yet commenced operation in commercial scale or generated any profit. No forestry rights certificate has been obtained from the relevant authorities for such woodlands and there is no expected timing for obtaining such rights by Eagle Bonus Group at this stage. Beat Time and SCC do not guarantee the issuance of any forestry rights certificate by the relevant authorities.

The unaudited consolidated net assets attributable to the equity holders of Beat Time as at 31 October 2009 as adjusted for (a) the Undertakings and (b) the expenditures expected to incur during the period from 1 November 2009 to 31 December 2009 which comprise (i) the payment of certain prepaid land lease payments of HK\$ 3.1 million in November 2009 funded by the advance from a SCC subsidiary; and (ii) the estimated operating expenses accrued for November and December 2009 of approximately HK\$1.5 million. After these adjustments, the net asset value of the Eagle Bonus Group is approximately HK\$8.5 million (the "Adjusted NAV").

Eagle Bonus Group had no revenue and tax charge for the years ended 31 December 2008 and 31 December 2007. The unaudited consolidated loss before and after tax for the years ended 31 December 2008 and 31 December 2007 were HK\$6.9 million and HK\$0.7 million, respectively.

Upon Completion, Eagle Bonus will cease to be a subsidiary of SCC and become a subsidiary of SCH.

IV. INFORMATION ON SCH

SCH is an investment holding company. Its subsidiaries are principally engaged in sale of airline tickets and travel package, provision of hotel accommodation booking and travel related services, implementation and marketing of software and system development and other information technology related services, property investment and development, and trading and manufacturing of jewelry products.

After Completion of the Agreement, the Woods business will become one of the principal businesses of SCH Group in addition to the above principal activities.

V. INFORMATION ON SCC

SCC is an investment holding company. Its subsidiaries are principally engaged in the trading and manufacturing of toys, shoes, leather products, property investment and development, and agriculture and woods businesses.

After Completion of the Agreement, SCC Group will cease to engage in the Woods business. Other than that, there will be no change in its principal activities as stated above.

VI. BASIS OF CONSIDERATION

The Consideration was determined after arm's length negotiation between the contracting parties with reference to, among other things, the Adjusted NAV.

No material gain or loss is expected from the transaction for both SCH and SCC as the consideration was set with reference to the latest available net asset value of Eagle Bonus Group.

VII. REASONS FOR THE TRANSACTION

The directors of SCC consider that the Agricultural business and the Woods business have different business models and require separate management teams with different expertise. Both the Agricultural business and the Woods business require substantial resources in planning and long term development. The disposal of the Woods business which is still at its beginning stage and has not yet commenced operation in commercial scale, will allow SCC to allocate more management time and resources to focus on the Agricultural business, in addition to its trading and manufacturing, property investment and development business activities.

The SCC Directors (including the independent non-executive directors of SCC) consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of SCC and the SCC Shareholders as a whole.

The directors of SCH see the great demand in wood and timber in the PRC and believe that the acquisition of Woods business through the acquisition of Eagle Bonus Share will give the SCH Group an opportunity to enter into the Woods business and to tap in the market potential of the industry in the PRC market in the long run.

SCH Group will recruit appropriate experts and allocate appropriate management time and resources for development of the Woods business in the coming future.

The SCH Directors (including the independent non-executive directors of SCH) consider that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of SCH and the SCH Shareholders as a whole.

VIII. IMPLICATION UNDER THE LISTING RULES

Mr. Ng Hung Sang, is the chairman and a substantial shareholder of each of SCH and SCC. As such, each of SCC and SCH is a connected party to each other under the Listing Rules and the Transaction constitutes a connected transaction. As each of the percentage ratios under the relevant tests of the Transaction is below 5% and the total consideration is less than HK\$10 million for both SCH and SCC, the Transaction is subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Adjusted NAV”	the net asset value of the Eagle Bonus Group at 31 October 2009, as adjusted for (a) the Undertakings and (b) the expenditures expected to incur during the period from 1 November 2009 to 31 December 2009, details of which being set out under the sub-heading “III Information About the Eagle Bonus Group” of this announcement;
“Agreement”	the share purchase agreement dated 16 December 2009 entered into between Thousand China and Beat Time in relation to the Transaction;
“Agricultural business”	the cultivation of plants, crops, livestock raising and fish farming that generate agricultural produces for sale;
“Beat Time”	Beat Time Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of SCC;
“Completion”	completion of the Transaction pursuant to the Agreement;
“Completion Date”	31 December 2009 or such other date as the parties to the Agreement may agree in writing on which Completion is to take place;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Eagle Bonus”	Eagle Bonus Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Beat Time;
“Eagle Bonus Group”	Eagle Bonus and its subsidiaries;
“Eagle Bonus Share”	1 share in Engle Bonus;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
“SCC”	South China (China) Limited, an exempted company incorporated in the Cayman Islands with limited liability with its shares and warrants listed on the Stock Exchange;

“SCC Directors”	the directors (including the independent non-executive directors) of SCC;
“SCC Group”	SCC and its subsidiaries;
“SCC Shareholders”	the shareholders of SCC;
“SCH”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on the Stock Exchange;
“SCH Directors”	the directors (including the independent non-executive directors) of SCH;
“SCH Group”	SCH and its subsidiaries;
“SCH Shareholders”	the shareholders of SCH;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transaction”	the proposed sale and purchase of the Eagle Bonus Share;
“Thousand China”	Thousand China Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of SCH;
“Undertakings”	the undertakings given by Beat Time to Thousand China, details of which being set out under the sub-heading “II The Agreement” of the section headed “Principal terms of the Transaction” of this announcement;
“Woods business”	the forestry plantation and harvesting of forest resources for sale;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

By order of the Board of
South China Holdings Limited
Cheung Choi Ngor
Director

By order of the Board of
South China (China) Limited
Cheung Choi Ngor
Director

Hong Kong, 16 December 2009

As at the date of this announcement, the board of directors of SCC comprises (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica as non-executive director; and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice as independent non-executive directors.

As at the date of this announcement, the board of directors of SCH 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.