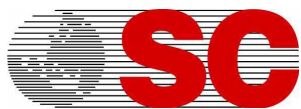
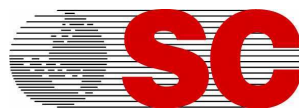


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**SOUTH CHINA HOLDINGS LIMITED**

*(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 THOUSAND CHINA SHARE**

On 11 January 2011, Tek Lee, an indirect wholly-owned subsidiary of SCH, and South China Industries, a direct wholly-owned subsidiary of SCC, entered into the Agreement pursuant to which Tek Lee agreed to sell the Thousand China Share to South China Industries at a consideration of HK\$23.8 million upon and subject to the terms and conditions set out therein. The consideration of HK\$23.8 million is subject to adjustment in accordance with the terms of the Agreement. The management of both SCH and SCC consider that the adjustment (if any) is unlikely to be so material that the applicable percentage ratios under the Listing Rules being applied to the connected transaction would be more than 5%. Therefore, the requirements set out in Rule 14A.32 in respect of the connected transaction would still apply. Further announcements, if necessary, will be made if there is a material adjustment.

### **INFORMATION ABOUT THE THOUSAND CHINA GROUP**

Thousand China Group is engaged in forest plantation in the PRC. As at 30 June 2010, Thousand China Group occupied approximately 216,000 mu of woodland area for forest plantation in Chongqing and Wuhan, the PRC. As at 30 June 2010, prepaid land lease payments amounting to approximately HK\$12.4 million were made in respect of the woodlands. The Adjusted NAV of Thousand China Group was estimated to be approximately HK\$23.8 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 SCH and SCC is a party connected to each other under the Listing Rules and the Transaction constitutes a connected transaction for both. As each of the percentage ratios under the relevant tests of the Transaction is below 5% 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.

Mr. Ng Hung Sang and his associates, together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges are deemed to be interested in the Transaction, so Mr. Ng Hung Sang, Ms. Ng Yuk Mui, Jessica, Mr. Ng Yuk Fung, Peter, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges abstained from voting on the board resolutions of SCH and SCC in respect of the Transaction. Save for the directors mentioned above, none of the directors had other interests in the Transaction or was otherwise required to abstain from voting on the board resolutions of SCH and SCC approving the Transaction.

## **I. INTRODUCTION**

On 11 January 2011, Tek Lee and South China Industries entered into the Agreement pursuant to which Tek Lee agreed to sell the Thousand China Share to South China Industries at a consideration of HK\$23.8 million, upon and subject to the terms and conditions set out therein. Tek Lee, an indirect wholly-owned subsidiary of SCH and an investment holding company, holds interests in subsidiaries which are principally engaged, inter alia, in Forestry business in the PRC. South China Industries, a direct wholly-owned subsidiary of SCC and an investment holding company, holds interests in subsidiaries which are principally engaged, inter alia, in Agricultural business in the PRC.

## **II. THE AGREEMENT**

Date: 11 January 2011

Vendor: Tek Lee, a company incorporated in Hong Kong with limited liability

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

Asset to be acquired: 1 share in Thousand China, being the entire issued share capital of Thousand China

Principal terms of the Transaction: The Completion Date is 31 January 2011 or such other date as the parties to the Agreement may agree in writing.

All rights attaching or accruing to the Thousand China Share and all dividends and distribution declared, made or paid on the Thousand China Share or in respect of it on and after 1 February 2011 shall be passed to South China Industries.

Tek Lee undertook to South China Industries to procure Thousand China Group to effect 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, within three months from the date of the Agreement.

Consideration: HK\$23.8 million, which will be settled in cash within three months after the Completion Date (after the adjustment (if any) to the consideration has been determined). The consideration is subject to be adjusted accordingly in the event that the net asset value of Thousand China Group as at Completion shall differ from the amount appearing herein.

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

### **III. INFORMATION ABOUT THE THOUSAND CHINA GROUP**

Thousand China is an investment holding company and its subsidiaries are engaged in Forestry business in the PRC. On 16 December 2009, Thousand China acquired Eagle Bonus Share at a consideration of HK\$8.5 million from an indirect wholly owned subsidiary of SCC. At that time, Eagle Bonus Group occupied approximately 157,000 mu woodland area for forest plantation in Chongqing and Wuhan, the PRC.

As at 30 June 2010, Thousand China Group occupied approximately 216,000 mu of woodland area for forest plantation located in Chongqing and Wuhan of the PRC. As at 30 June 2010, prepaid land lease payments amounting to approximately HK\$12.4 million prepaid land lease payments were made in respect of the woodlands. The amortized value of the prepaid land lease payments in respect of these woodlands as at 30 June 2010 as carried in the books of Thousand China Group was approximately HK\$12.3 million.

The business is now at its initial development stage. Thousand China Group has not yet commenced operation on a commercial scale or generated any profit. As at 30 June 2010, Thousand China Group had obtained forestry rights certificates for woodlands of approximately 55,000 mu. The forestry rights certificate in respect of the remaining woodlands of approximately 161,000 mu has not yet been obtained from the relevant authorities for such woodlands and there is no expected timing for obtaining such rights by Thousand China Group at this stage. Tek Lee and SCH do not warrant the issuance of any forestry rights certificate by the relevant authorities.

The unaudited consolidated net assets attributable to the equity holders of Tek Lee as at 30 June 2010 were adjusted for (a) the actual payment of operating expenses incurred during the period from 1 July 2010 to 30 September 2010 and the estimated expenses for the period from 1 October 2010 to 31 January 2011; (b) the actual payment of prepaid land lease payments of woodlands during the period from 1 July 2010 to 30 September 2010 and the estimated additional prepaid land lease payments of woodlands during the period from 1 October 2010 to 31 January 2011 and (c) a capitalization of shareholder's loan of Tek Lee at the Completion Date. After these adjustments, the net asset value of the Thousand China Group is estimated to be approximately HK\$23.8 million.

Thousand China Group had no revenue and tax charge for the years ended 31 December 2008, 31 December 2009 and six months ended 30 June 2010. The unaudited consolidated loss before and after tax for the years ended 31 December 2008, 31 December 2009 and six months ended 30 June 2010 were HK\$Nil, HK\$Nil and HK\$3.5 million respectively.

Upon Completion, Thousand China will cease to be a subsidiary of SCH and become a subsidiary of SCC.

#### **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, Forestry business and trading and manufacturing of jewelry products. After Completion of the Agreement, SCH Group will cease to engage in the Forestry business. Other than that, there will be no change in its principal activities as stated above.

#### **V. INFORMATION ON SCC**

SCC is an investment holding company. Its subsidiaries are principally engaged in the trading and manufacturing of toys, shoes, electronic toys and leather products, property investment and development, and Agriculture business. After Completion of the Agreement, the Forestry business will become one of the principal businesses of SCC Group in addition to the above principal activities.

#### **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 Thousand China Group.

#### **VII. REASONS FOR THE TRANSACTION**

The directors of SCH consider that the Forestry business requires appropriate teams of staff with expertise to manage it, which is not readily available to SCH. The Forestry business requires substantial resources in planning and a longer term of development than other businesses of SCH. The directors of SCH consider that the disposal of the Forestry business allows SCH to allocate more management time and resources to its other businesses.

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.

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.

Mr. Ng Hung Sang and his associates, together with Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges were deemed to be interested in the Transaction, so Mr. Ng Hung Sang, Ms. Ng Yuk Mui, Jessica, Mr. Ng Yuk Fung, Peter, Ms. Cheung Choi Ngor and Mr. Richard Howard Gorges had abstained from voting on the board resolutions of SCH and SCC in respect of the Transaction. Save for the directors mentioned above, none of the directors had other interests in the Transaction or was otherwise required to abstain from voting on the board resolutions of SCH and SCC approving the Transaction.

## **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% 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.

The consideration of HK\$23.8 million is subject to adjustment in accordance with the terms of the Agreement. The management of both SCH and SCC consider that the adjustment (if any) is unlikely to be so material that the applicable percentage ratios under the Listing Rules being applied to the connected transaction would be more than 5%. Therefore, the requirements set out in Rule 14A.32 in respect of the connected transaction would still apply. Further announcements, if necessary, will be made if there is a material adjustment.

## **DEFINITIONS**

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

|                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Adjusted NAV”          | the net assets value of the Thousand China Group as at 30 June 2010, as adjusted for (a) the actual payment of operating expenses incurred during the period from 1 July 2010 to 30 September 2010 and the estimated expenses for the period from 1 October 2010 to 31 January 2011; (b) the actual payment of prepaid land lease payments of woodlands during the period from 1 July 2010 to 30 September 2010 and the estimated additional prepaid land lease payments of woodlands during the period from 1 October 2010 to 31 January 2011 and (c) a capitalization of shareholder’s loan of Tek Lee at the Completion Date, details of which being set out under the sub-heading “III Information About the Thousand China Group” of this announcement; ; |
| “Agreement”             | the share purchase agreement dated 11 January 2011 entered into between Tek Lee and South China Industries in relation to the Transaction;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| “Agricultural business” | the cultivation of plants, crops, livestock raising and fish farming that generate agricultural produces for sale;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

|                          |                                                                                                                                                                |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Completion”             | completion of the Transaction pursuant to the Agreement;                                                                                                       |
| “Completion Date”        | 31 January 2011 or such other date as the parties to the Agreement may agree in writing or the date on which Completion is to take place;                      |
| “party connected”        | 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;                                                  |
| “Eagle Bonus Group”      | Eagle Bonus and its subsidiaries;                                                                                                                              |
| “Eagle Bonus Share”      | 1 share in Engle Bonus Limited;                                                                                                                                |
| “Forestry business”      | the forestation related business;                                                                                                                              |
| “Hong Kong”              | the Hong Kong Special Administrative Region of the PRC;                                                                                                        |
| “HK\$”                   | Hong Kong dollars, the lawful currency of Hong Kong;                                                                                                           |
| “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;                                                                                         |
| “South China Industries” | South China Industries (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of SCC; |
| “SCC”                    | South China (China) Limited, an exempted company incorporated in the Cayman Islands with limited liability with its shares 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 Thousand China Share;                                                                                                           |
| “Tek Lee”              | Tek Lee Finance And Investment Corporation Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of SCH;      |
| “Thousand China Group” | Thousand China and its subsidiaries;                                                                                                                                  |
| “Thousand China Share” | 1 share in Thousand China;                                                                                                                                            |
| “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; and |
| “%”                    | per cent.                                                                                                                                                             |

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

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

Hong Kong, 11 January 2011

*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.*

*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.*