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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

UPDATE ON LITIGATION IN RESPECT OF SOFTWARE JOINT VENTURE

Reference is made to the announcements of South China Holdings Limited (“Company”) regarding the litigation initiated by Nanjing South China Skytech against Nanjing Skytech published on 20 June 2013 (“First Announcement”), the legal proceedings commenced by Janful against Sinosoft Technology published on 26 June 2013 (“Second Announcement”) and the legal opinion obtained from a PRC licensed legal counsel retained by the Company (“Counsel”) regarding the Judgment in relation to the Liquidation published on 24 July 2013 (“Third Announcement”). Unless otherwise defined, capitalized terms used in this announcement shall have the same respective meanings as those defined in the First Announcement, the Second Announcement and the Third Announcement.

Janful, an equity-holder of Nanjing South China Skytech, received from the Nanjing Intermediate Court via the High Court of the Hong Kong Special Administrative Region a summons for an evidence collection hearing in respect of the Liquidation to be held on 3 December 2013. Neither Nanjing South China Skytech nor Janful has subsequently received any notification regarding change of the abovementioned scheduled hearing or cancellation of the same, nor have they been notified of any substitute hearings. The Counsel was of the view that:

1. as the said hearing for the Liquidation scheduled on 3 December 2013 has not taken place, the Nanjing Intermediate Court had no authority to hand down the Judgment, which was issued in breach of the procedural rules;
2. as Nanjing South China Skytech had never intended to give up its legal rights to participate in and/or object to the Liquidation and it had never received any notification regarding the hearing in which the Judgment was issued, the Nanjing Intermediate Court had no authority to deprive Nanjing South China Skytech of its legitimate rights in the Liquidation; and
3. the Judgment had deprived Nanjing South China Skytech of its legal rights without any legal basis, and was repugnant of the basic principles of justice and equity.

Nanjing South China Skytech has sued Nanjing Skytech and certain former senior management members thereof for a damage of Reminbi 210 million in the PRC. In the past nine years, Janful and Nanjing South China Skytech have encountered various obstacles in the litigations in relation to the disputes in question as certain actions of the relevant judicial bodies were not in conformity with the pertinent laws and regulations.

The Company will explore every possible course of legal action with a view to receiving equitable and just trials on the abovementioned cases.

The investment in Nanjing South China Skytech through Janful amounted to approximately Reminbi 4 million which was effectively written off in full by consolidation of the results of Nanjing South China Skytech in prior years.

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

Hong Kong, 30 July 2013

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) 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.