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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

VOLUNTARY ANNOUNCEMENT UPDATE ON LITIGATION IN RESPECT OF SOFTWARE JOINT VENTURE

Reference is made to the announcement of South China Holdings Limited (the “Company”) regarding the litigation initiated by Nanjing South China Skytech Technology Co., Ltd. 南京南華擎天資訊科技有限公司 (“Nanjing South China Skytech”) against Nanjing Skytech published on 20 June 2013 (the “First Announcement”). Unless otherwise defined, capitalized terms used in this announcement shall have the same respective meanings as those defined in the First Announcement.

Janful, the majority shareholder of Nanjing South China Skytech, has commenced legal proceedings against Sinosoft Technology Group Limited (“Sinosoft Technology”), the parent company of Nanjing Skytech, and two co-defendants claiming unlawful registration of intellectual property rights for the software products belonging to Nanjing South China Skytech. The legal action also includes claims that the Extended Software Products (as defined below) that Sinosoft Technology and/or Nanjing Skytech, a subsidiary of Sinosoft Technology, used were used without authorisation from Nanjing South China Skytech and claims remedies for the same.

As part of the writ of summons dated 26 June 2013 that has been filed with the High Court of Hong Kong (Court of First Instance), Janful seeks relief which includes the following:

1. a declaration that Nanjing South China Skytech is the legal owner of all intellectual property rights in software products that Janful considers have been unlawfully registered under Nanjing Skytech and/or its associated company (the “Software Products”) in breach of the joint-venture agreement dated 31 January 2000 between Janful and Nanjing Skytech;
2. a declaration that Nanjing South China Skytech is the legal owner of all intellectual property rights found in the software products of Sinosoft Technology and Nanjing Skytech that are derived or modified from the Software Products, otherwise known as the “Extended Software Products”;
3. an order that both the Software Products and the Extended Software Products must be transferred back to Nanjing South China Skytech immediately and unconditionally;
4. an injunction refraining Sinosoft Technology, Nanjing Skytech and Ms. Xin Ying Mei (“Ms. Xin”), the chief executive officer of Sinosoft Technology and former senior management of Nanjing South China Skytech, from using, licensing or transferring to any third party the intellectual property rights of the Software Products and the Extended Software Products; and

5. a declaration that Sinosoft Technology, Nanjing Skytech and Ms. Xin hold all profits derived from the unlawful use of the intellectual property rights pertaining to the Software Products and the Extended Software Products on constructive trust for Janful.

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

Hong Kong, 26 June 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.