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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT

PURSUANT TO RULE 13.09 OF THE LISTING RULES

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Reference is made to the announcement dated 29 July 2011 (the “**Announcement**”), the circular dated 22 August 2011 (the “**Circular**”) issued by South China Holdings Limited (the “**Company**”) in respect of the major transaction for the disposal of the entire issued share capital in Genion (the “**Disposal**”) and the interim results announcement of the Company dated 30 August 2011. Unless otherwise stated herein, capitalised terms used herein have the meanings ascribed thereto in the Announcement and the Circular.

Under the term of the S&P Agreement, the sum of HK\$9,000,000 is to be received by the Company on 1 November 2011. It was also agreed that the Vendors would provide an indemnity (subject to a maximum cap of HK\$11,000,000) in favour of the Purchaser for any loss which Zenith might incur resulting from any contingent liabilities of Zenith becoming liable to pay to the local government authority as a direct consequence of the result of the Investigation. The said indemnity would be valid for 2 years from the date of the S&P Agreement and the completion of the Disposal took place on 25 August 2011.

The Board announces that the Company has received a demand note on 12 September 2011 from the Purchaser requiring the Company to indemnify the Purchaser in the sum of HK\$11,000,000 to the Purchaser. The Company was informed by the Purchaser that Zenith had recently been required to pay a sum exceeding HK\$11,000,000 to the relevant local government authority in respect of the aforesaid contingent liabilities after the Completion.

In view of the partial offset between the indemnity payment of HK\$11,000,000 and the post-Completion payment of HK\$9,000,000 under the S&P Agreement, the Company would have to pay the net sum of HK\$2,000,000 to the Purchaser in full and final settlement of the claim by the Purchaser.

In light of the aforesaid, the Group will recognise a loss of approximately HK\$9,727,000 which is calculated with reference to the unaudited consolidated net asset value attributable to the equity owners of Genion, the release of exchange fluctuation reserve of the Disposal Group and the write-off of goodwill related to the Disposal Group as at 30 June 2011.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Hong Kong, 12 September 2011

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.