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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 265)

MAJOR TRANSACTION

**IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL IN GENION LIMITED**

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 29 July 2011
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Directors”	the board of directors of the Company
“Business Day(s)”	a day on which banks in Hong Kong and the PRC are open for normal banking business (except Saturdays, Sundays and public holidays)
“Company”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and its shares (stock code: 265) are listed on the main board of the Stock Exchange
“Completion”	completion of the transaction pursuant to the S&P Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Disposal”	the disposal of the entire issued share capital of Genion as contemplated under the S&P Agreement (including the provision of the indemnity by the Vendors in favour of the Purchaser)
“Disposal Group”	the entire issued share capital of Genion together with its subsidiaries, associated company and affiliated company, including the respective equity interests in Zenith, Zenith International, Jin Tong Tai and Fortuna
“Exchange Rate”	whenever the RMB equivalent of a sum in HK\$, or the RMB equivalent of a sum in HK\$, is to be determined or wherever any payment to be made requires the conversion of RMB to HK\$ (or vice versa), the exchange rate to be applied shall be: (a) the benchmark middle exchange rate for the conversion of RMB into HK\$ which is posted by the People’s Bank of China on its website at or around 9:30 a.m. (Hong Kong time) on the date of the relevant payment or (b) such other exchange rate as may be agreed between the Vendors and the Purchaser in writing unless the context requires otherwise
“Fortuna”	Chongqing Fortuna Information Technology Co., Ltd. 重慶運通資訊科技有限公司, a company incorporated in the PRC with limited liability
“Genion”	Genion Limited, a company incorporated in Hong Kong with limited liability
“Group”	the Company and its subsidiaries
“independent shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Investigation”	as defined in the announcement of the Company dated 28 March 2011 in relation to Zenith
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Jin Tung Tai”	Chongqing Jin Tung Tai Information Technology Co., Ltd.* 重慶金通泰信息技術有限公司, a company incorporated in the PRC with limited liability
“Latest Practicable Date”	15 August 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Purchase Price”	HK\$11,000,000, being HK\$110,000 per Sale Share
“Purchaser”	Yu Sheng Group Limited, a company incorporated in the British Virgin Islands with limited liability
“Remaining Group”	the Group immediately upon Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“S&P Agreement”	the sale and purchase agreement dated 29 July 2011 entered into between the Vendors and the Purchaser in relation to the Disposal
“Sale Shares”	in aggregate 100 shares of HK\$1.00 each, representing the entire issued share capital in Genion
“SCITD”	South China Information Technology Development Limited, an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares of HK\$0.025 each in the share capital of the Company
“Southchinanet.com”	Southchinanet.com (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Vendor(s)”	Southchinanet.com and SCITD
“Zenith”	Chongqing South China Zenith Information Technology Co., Ltd. 重慶南華中天信息技術有限公司, a company incorporated in the PRC with limited liability
“Zenith International”	Chongqing Zenith International Information Technology Co., Ltd.* 重慶中天國際信息技術有限公司, a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* *for identification purpose only*

LETTER FROM THE BOARD



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 265)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors:

Ms. Ng Yuk Mui, Jessica
Mr. David Michael Norman

Independent Non-executive Directors:

Mr. David John Blackett
Mrs. Tse Wong Siu Yin, Elizabeth
Mr. Cheng Hong Kei

Registered office:

Scotia Centre
4th Floor, P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

22 August 2011

*To the Shareholders and, for information only,
holders of the share options of the Company*

Dear Sir or Madam,

MAJOR TRANSACTION

**IN RELATION TO THE DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL IN GENION LIMITED**

INTRODUCTION

The Board made an Announcement on 29 July 2011 that the Vendors, each being a wholly-owned subsidiary of the Company, entered into the S&P Agreement with the Purchaser whereby the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Shares at an aggregate consideration of HK\$11 million, upon and subject to the terms and conditions set out therein. The Sale Shares represent the entire issued share capital in Genion, which owns the 60% equity interests in Zenith, which in turn owns 100% equity interests in Zenith International, 50% equity interests in Jin Tung Tai and 18% equity interests in Fortuna, respectively. The Group will maintain its 70% equity interests in Fortuna held through its wholly-owned subsidiaries after the Completion. The unsecured

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loan of RMB6,000,000 (approximately equivalent to HK\$7,229,000 as denominated at the rate of HK\$1 to RMB0.83) advanced by the Group to the Disposal Group (previously in the form of a shareholder's loan) which bears interests at 8% per annum (which is 2.4% higher than six months' benchmark rate on loans decided by People's Bank of China per annum at the relevant time) will be repaid on 30 September 2011 (or other date as mutually agreed by the parties).

The Vendors and the Purchaser have acknowledged that senior executives (involving the general manager (who is also a director of Zenith) and the assistant general manager) of Zenith, a 60% owned subsidiary of Genion, were summoned by the local government authority in the PRC to assist in the Investigation. The accounting records of Zenith were seized by the local government authority.

THE S&P AGREEMENT

Set out below are the principal terms of the S&P Agreement:

Date: 29 July 2011

Vendors: Southchinanet.com
SCITD

Purchaser: Yu Sheng Group Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (other than the Purchaser's 18% equity interests in Fortuna as contemplated under the Disposal after the Completion).

Sale Shares: a total of 100 shares of HK\$1.00 each, representing the entire issued share capital in Genion, in which:

- (i) Southchinanet.com will sell its 35 shares, representing 35% interests in Genion; and
- (ii) SCITD will sell its 65 shares, representing 65% interests in Genion.

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Purchase Price: HK\$11,000,000 (approximately equivalent to the unaudited consolidated net asset value attributable to equity owners of Genion), being HK\$110,000 per Sale Share, which shall be payable by the Purchaser as follows:

- (i) within seven (7) calendar days after the signing of the S&P Agreement, an aggregate amount equal to HK\$1 million (or the equivalent RMB amount calculated at the Exchange Rate), which took place on 5 August 2011;
- (ii) upon Completion, an aggregate amount equal to HK\$1 million (or the equivalent RMB amount calculated at the Exchange Rate); and
- (iii) on 1 November 2011, the final sum of an aggregate amount equal to HK\$9 million (or the equivalent RMB amount calculated at the Exchange Rate).

The Vendors and the Purchaser have agreed that the Vendors will provide an indemnity (subject to a maximum cap of HK\$11,000,000 (or the equivalent amount RMB calculated at the Exchange Rate)) in favour of the Purchaser for any loss which Zenith may 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 and the indemnity will be valid for 2 years from the date of the S&P Agreement.

The Purchase Price was determined after arm's length negotiation between the Vendors and the Purchaser taking into account of the unaudited consolidated net asset value attributable to equity owners of Genion as at 31 May 2011 approximately amounting to HK\$11,000,000.

Conditions: Completion is conditional upon:

- (i) the approval by the shareholders of the Company (other than those prohibited from voting under the Listing Rules) in general meetings or by written resolutions or by other means of the Disposal; and
- (ii) if applicable, the obtaining of all consents from government or regulatory authorities which are necessary or desirable in connection with the execution and performance of the S&P Agreement and any of the transactions contemplated under the S&P Agreement.

LETTER FROM THE BOARD

Date of Completion: Completion shall take place within 3 Business Days after the fulfillment of the conditions or such other date as the parties may mutually agree in writing under the S&P Agreement.

INFORMATION ABOUT THE SALE SHARES AND THE DISPOSAL GROUP

The Sale Shares represent the entire issued share capital in Genion, which owns 60% equity interests in Zenith, which in turn owns 100% equity interests in Zenith International, 50% equity interests in Jin Tung Tai and 18% equity interests in Fortuna respectively. Genion, being incorporated in Hong Kong, is an investment holding company, while its subsidiaries, associated company and affiliated company, all incorporated in the PRC, are principally engaged in the system integration, software development and software outsourcing business.

The unaudited consolidated net assets attributable to equity owners of Genion (in relation to the Disposal Group) as at 31 May 2011 was approximately HK\$11.0 million. The unaudited consolidated net profit/(loss) (before and after taxation, extraordinary items and non-controlling interests) of the Disposal Group for the two years ended 31 December 2010 and 31 December 2009 were as follows:

	Year ended 31 December	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation, extraordinary items and non-controlling interests	8,138	(1,160)
Profit/(loss) after taxation, extraordinary items and non-controlling interests	2,881	(1,908)

Reference is made to the announcements of the Company dated 28 March 2011 and 29 March 2011 respectively. The Investigation is still underway and there is no material progress as at the Latest Practicable Date.

REASONS FOR THE TRANSACTION

The reasons for the Disposal are that the Investigation is still underway and it may create negative impact on Zenith, due to the unavailability of the accounting records of Zenith and that the date of release of the accounting records remains uncertain, the auditors may still issue qualified opinion on the Group's annual accounts. In addition, the underlying industry is volatile and has undergone intensive competition and the future prospect does not look good and secure.

The expected net proceeds from the Disposal of approximately HK\$11 million (assuming that no payment is required to be made pursuant to the said indemnity) will be used as general working capital of the Group.

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The Directors, including the independent non-executive Directors, consider that the terms of the S&P Agreement (including the provision of indemnity by the Vendors to the Purchaser) are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The aforesaid unsecured loan of RMB 6,000,000 (approximately equivalent to HK\$7,229,000) advanced to the Disposal Group will not be repaid upon Completion. However, this loan bears interests at 8% per annum (which is 2.4% higher than six months' benchmark rate on loans decided by the People's Bank of China per annum at the relevant time) and the Directors, including the independent non-executive Directors, also consider that the terms and interest premium of the loan is justifiable and it is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS

It is expected that the Group will recognize a gain of approximately HK\$865,000 (assuming that no payment is required to be made pursuant to the said indemnity), which is calculated with reference to the difference among the Purchase Price, the unaudited consolidated net asset value attributable to the equity owners of Genion and the release of exchange fluctuation reserve of the Disposal Group and write-off of goodwill related to the Disposal Group as at 31 May 2011. The amount of the actual gain or loss arising from the Disposal will be determined upon Completion depending on the carrying value of the Disposal Group on Completion. The unsecured loan of RMB6,000,000 (approximately equivalent to HK\$7,229,000) advanced by the Group to the Disposal Group (previously as a shareholder's loan) will be repaid on 30 September 2011 (or other date mutually agreed by the parties).

The total assets and total liabilities of the Group will be decreased by approximately HK\$117.1 million and HK\$87.9 million respectively upon Completion based on unaudited total assets and total liabilities of the Disposal Group as at 31 May 2011. The decrease in amount of the assets and liabilities of the Group upon Completion will be determined on assets and liabilities of the Disposal Group upon Completion.

Profit after taxation, extraordinary items and non-controlling interests of the Disposal Group was HK\$2.9 million for the year ended 31 December 2010. There is no significant effect on earnings of the Remaining Group upon Completion because the travel and related business and trading and manufacturing of jewellery products will continue to make significant contribution of earnings to the Remaining Group upon Completion.

The Company elects not to arrange for the audit of the Disposal Group from 31 December 2010 up to the date of the disposal, as part of the accounting records of Zenith (under the Disposal Group) which cover the intended audit period remain seized by the PRC local government authority. However, it is anticipated that the Purchaser will arrange for the accounting records (if released by the said local government authority) for audit for the year ending 31 December 2011.

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The Disposal Group will cease to be subsidiaries and associated company of the Company upon Completion and the financial results of the Disposal Group will no longer be consolidated into the Group's financial statements.

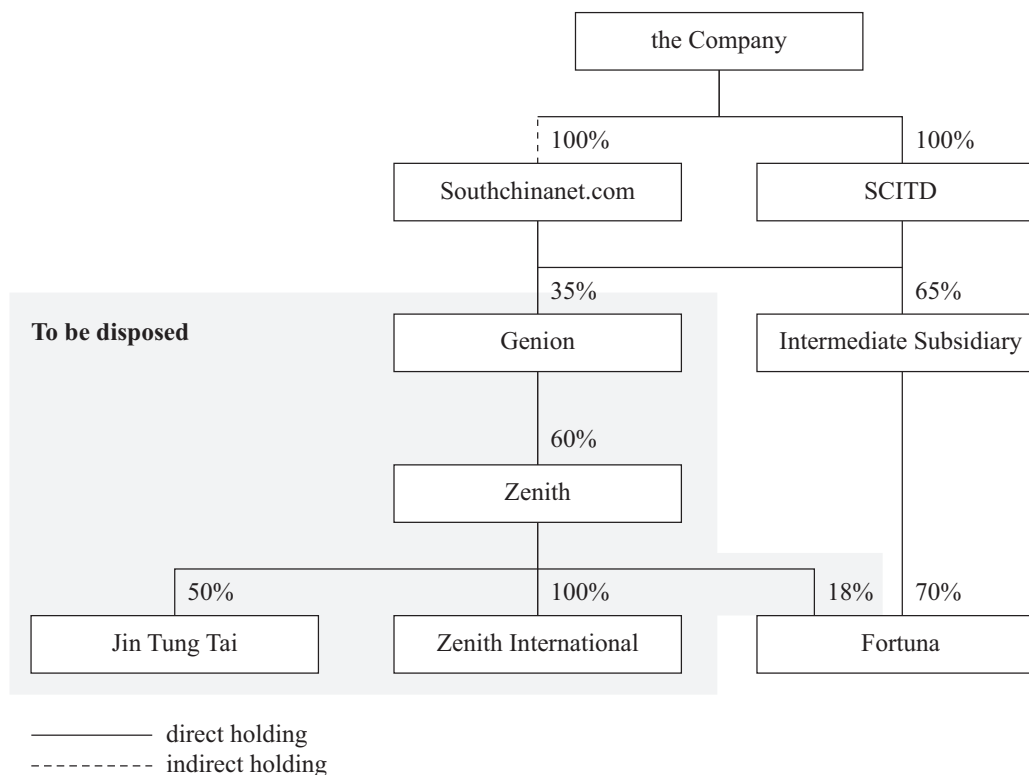
INFORMATION ON THE COMPANY AND THE PURCHASER

The Company 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 jewellery products prior to the Disposal. The Remaining Group will continue to be principally engaged in the said businesses (other than the businesses of system integration, software development (excluding supply chain system development) and software outsourcing being principally engaged by the member of the Disposal Group).

The Purchaser is an investment holding company and together with its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (other than the Purchaser's 18% equity interests in Fortuna as contemplated under the Disposal after the Completion).

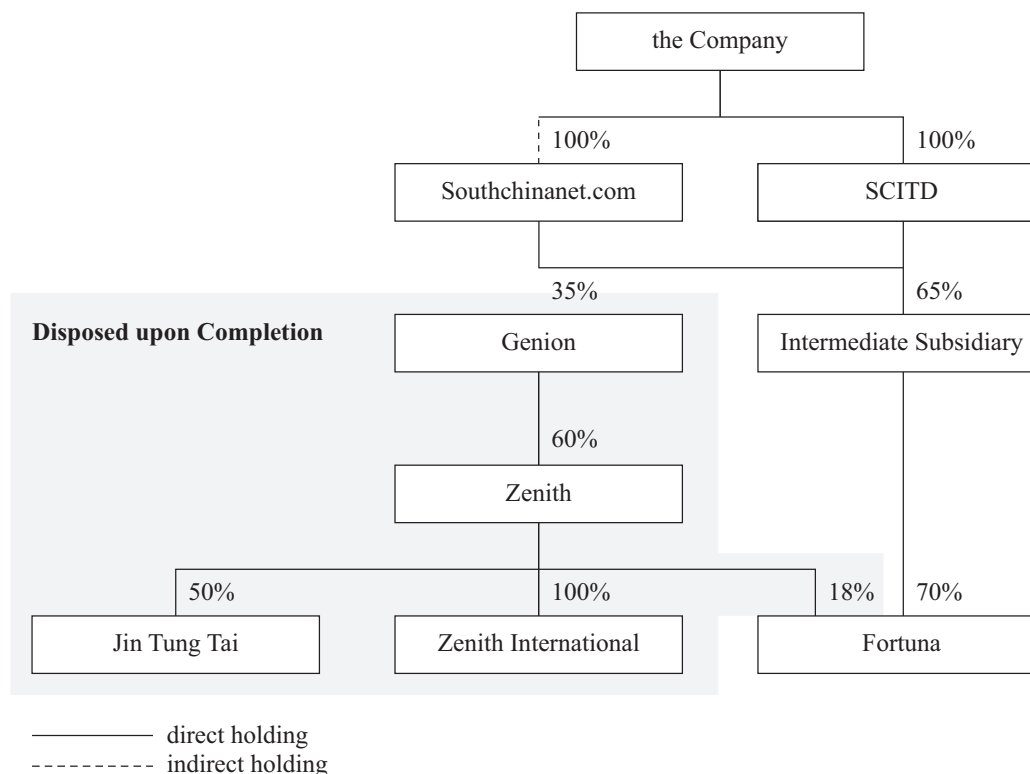
STRUCTURE OF THE DISPOSAL GROUP BEFORE AND UPON COMPLETION

- i) Set out the shaded area below is the structure of the Disposal Group immediately before Completion



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- ii) Set out the shaded area below is the structure of the Disposal Group immediately upon Completion



IMPLICATION UNDER THE LISTING RULES

As the applicable percentage ratios for the transaction contemplated under the Disposal are expected to be higher than 25% but below 75%, the Disposal constituted a major transaction for the Company, which is subject to the reporting, announcement, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. As the Company has obtained written approvals from several Shareholders, namely, Mr. Ng Hung Sang (chairman of the Board), Bannock Investment Limited, Eartrade Investments Limited, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited which hold 71,652,200 Shares, 237,303,360 Shares, 250,646,400 Shares, 396,050,252 Shares, 371,864,000 Shares and 16,665,600 Shares, respectively (totaling 1,344,181,812 Shares) representing at an aggregate of 73.72% of the total voting rights of the Company under Rule 14.44(2) of the Listing Rules, no Shareholders' meeting is required to be held to consider and approve the Disposal.

The unsecured loan of RMB6,000,000 (approximately equivalent to HK\$7,229,000) advanced by the Group to the Disposal Group (previously in the form of a shareholder's loan) shall be repaid on 30 September 2011 (or other date mutually agreed by the parties) and the said loan upon Completion may be regarded as the provision of financial assistance

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by the Group to Zenith, a connected person of the Company (i.e. a substantial shareholder of a non-wholly-owned subsidiary of the Company) under Chapter 14A of the Listing Rules.

Upon Completion, the said loan may be regarded as being made to the connected person at the level of subsidiary on the normal commercial terms and the relevant percentage ratios of the value of the relevant subsidiary for the latest financial year (i.e. 2010) will be less than 5%. The Company will apply the exemption under Rule 14A.31(9) of the Listing Rules to the provision of the said loan, which is not subject to any announcement, reporting or independent shareholders' approval requirement under Chapter 14A of the Listing Rules, so long as the provision of the said loan meets the requirement in Rule 14A.31(9) of the Listing Rules.

In addition, as the applicable percentage ratio of the said loan is less than 5%, the provision of the said loan is not subject to any announcement, reporting or shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, there is no material progress in relation to the Investigation, which is required to be disclosed pursuant to Rule 13.09 of the Listing Rules.

RECOMMENDATION FROM THE BOARD

The Disposal is on normal commercial terms and fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole. Given that Shareholders' approval is required for the Disposal, the Company has obtained written approvals from several shareholders representing over 50% of the total voting rights of the Company under recommendation from the Directors. The Directors also recommend the other Shareholders to vote in favour of the Disposal should a general meeting be required to hold.

GENERAL

As Completion is conditional upon fulfillment of certain conditions, the Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully
For and on behalf of the Board
Cheung Choi Ngor
Director

1. PROSPECTS OF THE GROUP

The Remaining Group will focus its resources on sale of airline tickets and travel package, provision of hotel accommodation booking and travel related services, property investment and development, supply chain system development and trading and manufacturing of jewellery products.

The travel and related business will continue to enhance its internet booking platform in order to complement its sales network and improve its efficiency and competitiveness. The Group expects steady growth of its MICE (meeting, incentive, conference and event) business in the future. Given the great potential in Mainland China, the Group will expand its network to other major cities to develop its travel and related business.

Jewellery business will continue to open more outlets in department stores to expand points of sales in Nanjing in order to achieve continuity in revenue growth.

With expansion of the major customers into various cities in Mainland China, the supply chain management software is in popular demand.

These remaining businesses are expected to make contribution to turnover and profit to the Remaining Group continuously on the basis of its existing foundation.

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2011, being the latest practicable date for the purpose of this indebtedness prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$155.2 million, details of which are set out below:

	<i>HK\$ million</i>
Bank borrowings, secured	28.9
Bank borrowings, unsecured	61.9
Other borrowings, unsecured	4.0
Shareholders' loans, unsecured	55.2
Advance from non-controlling shareholder of subsidiaries, unsecured	5.2
	<u>155.2</u>

The banking facilities of the Group were secured by certain assets held by subsidiaries. As at 30 June 2011, the carrying amounts of the assets included property, plant and equipment of approximately HK\$10.1 million, inventories of approximately HK\$21.3 million and bank deposits of approximately HK\$15.8 million. The unsecured bank borrowings of the Group including amount of approximately HK\$60.0 million was guaranteed by the Company.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business of the Group, as at the close of business on 30 June 2011, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loan, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, amounts denominated in RMB have been translated into Hong Kong dollars at an exchange rate of RMB1 = HK\$1.2048.

Save for the indemnity to be provided to the Purchaser, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since 30 June 2011.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group and its internal generated funds, the Group has sufficient working capital to satisfy its requirements for at least 12 months from the date of publication of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

Save as those disclosed herein, the Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company ("Model Code") were as follows:

Long position in the Shares and underlying Shares of the Company

(i) Long positions in Shares

Name of Director	Capacity	Number of Shares	Total number of Shares	Approximate percentage of shareholding
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner Interest of controlled corporations	71,652,200 1,272,529,612 (Note)	1,344,181,812	73.72%
Mr. Richard Howard Gorges ("Mr. Gorges")	Interest of controlled corporations	487,949,760 (Note)	487,949,760	26.76%
Ms. Cheung Choi Ngor ("Ms. Cheung")	Interest of controlled corporations	487,949,760 (Note)	487,949,760	26.76%

(ii) Long positions in underlying Shares (ie. share option)

Name of Director	Capacity	Date of grant	Exercise price per Share (HK\$)	Exercise period	Number of share options as at the Latest Practicable Date	Total number of share options as at the Latest Practicable Date	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	18/09/2007	2.00	18/09/2008 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2009 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2010 – 17/09/2017	6,000,000	18,000,000	0.99%
Ms. Cheung	Beneficial owner	18/09/2007	2.00	18/09/2008 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2009 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2010 – 17/09/2017	6,000,000	18,000,000	0.99%
Ms. Ng Yuk Mui, Jessica	Beneficial owner	18/09/2007	2.00	18/09/2008 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2009 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2010 – 17/09/2017	6,000,000	18,000,000	0.99%
Mr. Ng Yuk Fung, Peter	Beneficial owner	18/09/2007	2.00	18/09/2008 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2009 – 17/09/2017	6,000,000		
	Beneficial owner	18/09/2007	2.00	18/09/2010 – 17/09/2017	6,000,000	18,000,000	0.99%

Note: The 1,272,529,612 Shares held by Mr. Ng through controlled corporations include 371,864,000 Shares held by Parkfield Holdings Limited (“Parkfield”), 396,050,252 Shares held by Fung Shing Group Limited (“Fung Shing”), 16,665,600 Shares held by Ronastar Investments Limited (“Ronastar”), 237,303,360 Shares held by Bannock Investment Limited (“Bannock”) and 250,646,400 Shares held by Eartrade Investments Limited (“Eartrade”). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Mr. Gorges and Ms. Cheung were deemed to have an interest in 487,949,760 Shares held by Bannock and Eartrade.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

So far as was known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) or corporations had interests or short positions, if any, in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group were as follows:

Interests in the Company

Long positions

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 <i>(Note)</i>	26.76%
Bannock	Beneficial owner	237,303,360 <i>(Note)</i>	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%

Note: Bannock is a wholly-owned subsidiary of Earntrade. The 487,949,760 Shares in the Company held by Earntrade include 237,303,360 Shares held by Bannock directly.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, including a director or employee of a company (in addition to Mr. Ng who is a director of each of Earntrade, Bannock, Parkfield and Fung Shing, Mr. Gorges and Ms. Cheung are also directors of each of Earntrade and Bannock), who had interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which is determinable by the Company within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

Mr. Ng is an Executive Director and the controlling shareholder of South China (China) Limited (“SCC”) and South China Land Limited (“SCL”).

Mr. Ng Yuk Fung, Peter, Ms. Cheung and Mr. Gorges are the executive directors of both SCC and SCL while Ms. Ng Yuk Mui, Jessica is a non-executive director of SCC and SCL. Ms. Cheung and Mr. Gorges also hold certain corporate interests in SCC and SCL jointly with Mr. Ng.

Certain subsidiaries of SCC and SCL are engaged in property investment and development business which are considered as competing businesses of the Group.

Mr. Ng and Mr. Ng Yuk Fung, Peter are the directors and shareholders of Anwell Profits Limited (“Anwell”) which is engaged in the information technology business.

Accordingly, each of Mr. Ng, Mr. Ng Yuk Fung Peter, Ms. Ng Yuk Mui, Jessica, Ms. Cheung and Mr. Gorges is regarded as interested in such competing business of the Group.

The Directors are of the view that the Group can carry on its property investment and development business independently of and at arm’s length from the business of SCC and SCL as there is no direct competition amongst the three listed groups. For information technology business, the Group has its own target markets which are different from Anwell.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

6. DIRECTORS’ INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the Company or its subsidiaries within two years immediately preceding the date of this circular, which are or may be material:

- (a) the S&P Agreement;
- (b) the memorandum of understanding entered into on 26 May 2011 between Zhong Jie Holdings Limited as the vendor and Bounty Gain Group Limited, a wholly-owned subsidiary of the Company, as the purchaser in relation to a possible acquisition of the satellite businesses;
- (c) the share purchase agreement dated 11 January 2011 entered into between Tek Lee Finance And Investment Corporation Limited, an indirect wholly-owned subsidiary of the Company, as the vendor and South China Industries (BVI) Limited as the purchaser in relation to the sale of 1 share in Thousand China Investments Limited at a consideration of HK\$23.8 million (subject to adjustment (if any) in accordance with the terms of the said agreement); and
- (d) the share purchase agreement dated 16 December 2009 entered into between Beat Time Enterprises Limited as the vendor and Thousand China Investments Limited, then an indirect wholly-owned subsidiary of the Company, as the purchaser in relation to the sale of 1 share in Eagle Bonus Investments Limited at a consideration of HK\$8.5 million.

8. LITIGATION

Save for the Investigation, as at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration or claim of material importance, and the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong is situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (b) The Company's Hong Kong share registrar and transfer office is Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The secretary of the Company is Mr. Zhu Ben Yu who is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, United Kingdom.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours on any week day (except for public holidays) from the date of this circular up to 5 September 2011, both days inclusive:

- (a) the material contracts as referred to in the section headed "Material Contracts" in this Appendix;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for each of the two years ended 31 December 2009 and 2010; and
- (d) this circular.

11. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.