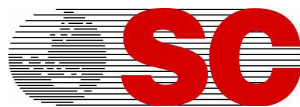


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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT

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

THE S&P AGREEMENT

The Board announces that on 29 July 2011, the Vendors, being the two wholly-owned subsidiaries 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 60% equity interests in Zenith, which in turn owns 100% equity interests in 重慶中天國際信息技術有限公司, 50% equity interests in 重慶金通泰信息技術有限公司 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 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 mutually agreed by the parties).

LISTING RULES IMPLICATIONS

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 date of this announcement, 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 a written approval from several Shareholders which totally hold 1,344,181,812 Shares representing 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 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 will 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.

There is no material progress in relation to the Investigation, which is required to be disclosed as at the date of this announcement pursuant to Rule 13.09 of the Listing Rules.

GENERAL

A circular containing further details on the Disposal is expected to be despatched to the Shareholders on or before 18 August 2011 in compliance with the Listing Rules.

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

I. INTRODUCTION

The Board announces that on 29 July 2011, the Vendors, being the two wholly-owned subsidiaries 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 重慶中天國際信息技術有限公司, 50% equity interests in 重慶金通泰信息技術有限公司 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 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.

II. 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.

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 day 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);

(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.

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

III. 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 重慶中天國際信息技術有限公司, 50% equity interests in 重慶金通泰信息技術有限公司 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 to HK\$11.0 million. The unaudited consolidated net profit or loss (before and after taxation, extraordinary items and non-controlling interests) of the Disposal Group for the two years ended 31 December 2010 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.

IV. REASONS FOR THE TRANSACTION

The reasons for the Disposal are that the Investigation is still underway and it may create negative impact on Zenith. 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 needs to be made pursuant to the said indemnity) will be used as general working capital of the Group.

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) of are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

V. FINANCIAL EFFECTS

It is expected that the Group will recognize a gain of approximately HK\$865,000 (assuming that no payment needs 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 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.

VI. 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. After Completion, the 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 it 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).

VII. 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 date of this announcement, 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, Earntrade 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 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 will 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.

There is no material progress in relation to the Investigation, which is required to be disclosed as at the date of this announcement pursuant to Rule 13.09 of the Listing Rules.

VIII. GENERAL

A circular containing further details on the Disposal is expected to be despatched to the Shareholders on or before 18 August 2011 in compliance with the Listing Rules.

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

IX. DEFINITIONS

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

“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, 重慶中天國際信息技術有限公司, 重慶金通泰信息技術有限公司 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;
“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;
“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 announcement, 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;

“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;
“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;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB\$”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

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

Hong Kong, 29 July 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.