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## **SOUTH CHINA HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 265)*

### **ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE BUSINESS ACQUISITION**

Bounty Gain, a wholly owned subsidiary of the Company, entered into an MOU in relation to a Possible Acquisition with Zhong Jie on 26 May 2011. It is not legally binding save for its provisions, inter alia, as to exclusivity. If the Possible Acquisition proceeds, then based on the possible levels of consideration now being discussed it is likely to be a notifiable transaction for the Company under Chapter 14 of the Listing Rules and may therefore be subject to reporting, announcement and independent shareholders' approval requirements (whichever is applicable).

**Shareholders and potential investors are reminded that discussions in respect of the Possible Acquisition are still ongoing and no formal agreement has been entered into or may ever be entered into. As such, there is no certainty that the Possible Acquisition will proceed. Care should be exercised when dealing in shares of the Company.**

This announcement is made by South China Holdings Limited (the "Company") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

#### **MEMORANDUM OF UNDERSTANDING**

The board of directors (the "Board") of the Company is pleased to announce that on 26 May 2011, Bounty Gain Group Limited ("Bounty Gain"), a wholly owned subsidiary of the Company, entered into a memorandum of understanding ("MOU") with Zhong Jie Holdings Limited ("Zhong Jie") in relation to a possible acquisition of the Satellite Businesses (as defined hereinafter) ("Possible Acquisition"). Zhong Jie, which is in the process of acquiring and re-structuring the Satellite Businesses, will operate various satellite communication businesses in the People's Republic of China ("PRC"), including but not limited to, BeiDou satellite positioning communication application systems (北斗衛星定位通信應用系統), satellite navigation (衛星導航), satellite communication (衛星通信), satellite timing (衛星授時) and other related civilian used systems (collectively the "Satellite Businesses"). The MOU is not legally binding save for its provisions, inter alia, as to exclusivity. To the best knowledge and belief of the Directors, Zhong Jie is independent of the Company and its connected persons (as defined in the Listing Rules).

The Satellite Businesses apply the BeiDou (COMPASS) Navigation Satellite System, which is an independent satellite navigation system developed and owned by the PRC government.

The consideration for the Possible Acquisition is estimated to be between HK\$800 million to HK\$1 billion, subject to reference to an independent valuation report to be prepared. The consideration may be satisfied by way of a combination of cash and/or shares in the Company and/or securities convertible into shares of the Company issued by the Company.

Under the MOU, completion of the transaction is subject to, inter alia, due diligence on the target company owned by Zhong Jie which operates the Satellite Businesses to be conducted by the Company within a period of 180 days from the date of the MOU. For a period of 195 days from the date of the MOU (the “Exclusivity Period”), Zhong Jie has agreed not to enter into any discussion or negotiation with other third parties in relation to the Possible Acquisition.

Details of the Possible Acquisition are subject to further negotiation and may involve cash and/or shares in the Company and/or securities convertible into shares of the Company issued by the Company. In the event that the transaction involves Zhong Jie acquiring 30% or more of the voting rights of the Company, Zhong Jie will be required to make a mandatory general offer under Rule 26 of the Hong Kong Code on Takeovers and Mergers unless it applies for and receives an appropriate waiver. If the Possible Acquisition proceeds, then based on the possible levels of consideration now being discussed it is likely to be a notifiable transaction for the Company under Chapter 14 of the Listing Rules and may therefore be subject to reporting, announcement and independent shareholders’ approval requirements (whichever is applicable).

No formal agreement has been entered into between the parties. The Possible Acquisition is still subject to further negotiation and may or may not proceed. Further announcement will be made if and when required.

**Shareholders and potential investors are reminded that discussions in respect of the Possible Acquisition are still ongoing and no formal agreement has been entered into or may ever be entered into. As such, there is no certainty that the Possible Acquisition will proceed. Care should be exercised when dealing in shares of the Company.**

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

Hong Kong, 26 May 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.*

*All directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*