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If you have sold or transferred all your shares in South China Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

DECLARATION OF SPECIAL DIVIDEND

DISTRIBUTION IN SPECIE OF SHARES (Stock Code: 413) AND WARRANTS (Stock Code: 807) OF SOUTH CHINA (CHINA) LIMITED

A letter from the Board is set out on pages 3 to 9 of this circular.

A notice convening an extraordinary general meeting of South China Holdings Limited (the “Company”) to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 19 June 2009 at 10:00 a.m. is set out on pages 10 to 11 of this circular. Whether or not you are able to attend the extraordinary general meeting or any adjournment thereof, you are requested to read the notice and complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company’s share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending, and voting in person at, the extraordinary general meeting or any adjournment thereof should you so wish.

3 June 2009

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DEFINITIONS

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

“Bannock”	Bannock Investment Limited, a company incorporated in the Republic of Liberia with limited liability and a wholly-owned subsidiary of Earntrade;
“Board”	the board of directors of the Company;
“Company”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board;
“Directors”	the directors (including the independent non-executive directors) of the Company;
“Distribution”	payment of a special dividend by way of distribution in specie of 106 SCC Shares and 21 SCC Warrants for every 100 Shares held by the Shareholders registered on the register of members on the Record Date;
“Earntrade”	Earntrade Investments Limited, a company incorporated in Hong Kong with limited liability which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and the remaining 20% by Ms. Cheung Choi Ngor;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Distribution;
“Fung Shing”	Fung Shing Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	29 May 2009, 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;
“Main Board”	Main Board of the Stock Exchange;

DEFINITIONS

“Mr. Ng”	Mr. Ng Hung Sang, Chairman and controlling shareholder of the Company and SCC;
“Overseas Shareholders”	Shareholders whose addresses as shown in the register of members of the Company at the close of business on the Record Date are outside of Hong Kong;
“Parkfield”	Parkfield Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng;
“Record Date”	the record date by reference to which entitlements to the Distribution are determined;
“Remaining Group”	the Group excluding SCC Group;
“Ronastar”	Ronastar Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng;
“SCC”	South China (China) Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares and warrants of which being listed on the Main Board;
“SCC Group”	SCC and its subsidiaries;
“SCC Shares”	ordinary shares of HK\$0.02 each in the share capital of SCC;
“SCC Warrants”	the warrants issued by SCC, in registered form, in units of subscription rights entitling the holder(s) thereof to subscribe for fully paid SCC Shares at a subscription price of HK\$0.40 per share, payable in cash and subject to adjustment, on or before 6 September 2010;
“Share Options”	the subscription rights attaching to share options granted under the share options scheme of the Company adopted on 31 May 2002;
“Shares”	ordinary shares of HK\$0.025 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

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

3 June 2009

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

Dear Sir or Madam,

DECLARATION OF SPECIAL DIVIDEND

DISTRIBUTION IN SPECIE OF SHARES (Stock Code: 413) AND WARRANTS (Stock Code: 807) OF SOUTH CHINA (CHINA) LIMITED

INTRODUCTION

On 22 May 2009, the Board passed a resolution to declare a special dividend to be satisfied by distribution in specie.

The purpose of this circular containing, among other things, (i) further particulars of the Distribution; and (ii) the notice convening the EGM.

LETTER FROM THE BOARD

THE DISTRIBUTION

On 22 May 2009, the Board passed a resolution to declare a special dividend to be satisfied by distribution in specie.

The Company currently holds, through its wholly-owned subsidiaries, and controls an aggregate of 1,983,206,785 SCC Shares and 396,641,357 SCC Warrants, representing approximately 74.78% of the issued SCC Shares and 74.83% of the outstanding SCC Warrants respectively. As at the Latest Practicable Date, the issued shares of the Company are 1,823,401,376 Shares and the outstanding Share Options which are exercisable are 33,599,999 Share Options.

Basis of the Distribution

The Distribution will be on the basis of 106 SCC Shares and 21 SCC Warrants for every 100 Shares held by the Shareholders whose names appear on the register of members of the Company on the Record Date. As at the Latest Practicable Date and assuming no outstanding Share Options are exercised on or before the Record Date, a maximum of 1,932,805,458 SCC Shares and 382,914,288 SCC Warrants will be distributed to the Shareholders.

In case all the 33,599,999 outstanding Share Options are exercised on or before the Record Date, an additional 33,599,999 Shares will be issued pursuant to the exercise of these Share Options. As a result, a maximum of 1,968,421,457 SCC Shares and 389,970,287 SCC Warrants will be distributed to the Shareholders. Fractional SCC Shares and SCC Warrants will not be distributed to Shareholders but will be aggregated and retained by the Company.

The Company will consider disposing the remaining SCC Shares and SCC Warrants held when the time is appropriate.

Overseas Shareholders

The SCC Shares and SCC Warrants pursuant to the Distribution will not be distributed to the Overseas Shareholders. Arrangements will be made for the SCC Shares and SCC Warrants which would otherwise have been distributed to such Overseas Shareholders pursuant to the Distribution to be sold in the market as soon as practicable after the posting of the share certificates and warrant certificates of the Distribution. Any proceeds of sale will be distributed in Hong Kong dollars to such persons pro rata to the Overseas Shareholders' entitlements (except that amounts of less than HK\$100 payable to the respective Shareholders will be retained for the benefit of the Company).

Value of the Distribution

The audited consolidated net asset value of SCC Group as at 31 December 2008 was approximately HK\$1,907.6 million.

LETTER FROM THE BOARD

The SCC Shares to be distributed under the Distribution are credited as fully paid and rank pari passu in all respects with all other SCC Shares in issue and with each other, save for any dividends/ distributions declared, paid or made by SCC before the Record Date. The SCC Warrants to be distributed under the Distribution carry the same rights as with all other SCC Warrants in issue.

Condition of the Distribution

As required under the Articles of Association of the Company, the Distribution will be subject to the sanction of the Shareholders at an EGM.

Shareholding and warrant holding structure of SCC

Assuming that there is no change to the issued share capital (other than the issue of additional Shares pursuant to the exercise of Share Options) of the Company up to the Record Date, the shareholding structure of SCC as at the Latest Practicable Date and immediately following the Distribution is set out below:

Shareholders	As at the Latest Practicable Date		Immediately following the Distribution			
			Assuming no Share Options are exercised		Assuming all the exercisable Share Options are exercised	
	<i>No. of SCC Shares held</i>	<i>%</i>	<i>No. of SCC Shares held</i>	<i>%</i>	<i>No. of SCC Shares held</i>	<i>%</i>
Fung Shing ¹	–	–	419,813,267	15.83	419,813,267	15.83
Parkfield ¹	–	–	394,175,840	14.86	394,175,840	14.86
Earntrade ¹	–	–	265,685,184	10.02	265,685,184	10.02
Bannock ¹	–	–	251,541,561	9.49	251,541,561	9.49
Ronastar ¹	–	–	17,665,536	0.67	17,665,536	0.67
Mr. Ng ¹	–	–	75,951,332	2.86	75,951,332	2.86
Holders of Share Options ²	–	–	–	–	35,615,999	1.34
The Company ³	1,983,206,785	74.78	50,401,327	1.90	14,785,328	0.56
Sub-total:	1,983,206,785	74.78	1,475,234,047	55.63	1,475,234,047	55.63
Public	668,832,641	25.22	1,176,805,379	44.37	1,176,805,379	44.37
Total:	<u>2,652,039,426</u>	<u>100.00</u>	<u>2,652,039,426</u>	<u>100.00</u>	<u>2,652,039,426</u>	<u>100.00</u>

LETTER FROM THE BOARD

The holding structure of SCC Warrants as at the Latest Practicable Date and immediately following the Distribution is set out below:

Warrant holders	As at the Latest Practicable Date		Immediately following the Distribution			
			Assuming no Share Options are exercised		Assuming all the exercisable Share Options are exercised	
	<i>No. of SCC Warrants held</i>	<i>%</i>	<i>No. of SCC Warrants held</i>	<i>%</i>	<i>No. of SCC Warrants held</i>	<i>%</i>
Fung Shing ¹	–	–	83,170,552	15.69	83,170,552	15.69
Parkfield ¹	–	–	78,091,440	14.74	78,091,440	14.74
Eartrade ¹	–	–	52,635,744	9.93	52,635,744	9.93
Bannock ¹	–	–	49,833,705	9.40	49,833,705	9.40
Ronastar ¹	–	–	3,499,776	0.66	3,499,776	0.66
Mr. Ng ¹	–	–	15,046,962	2.84	15,046,962	2.84
Holders of Share Options ²	–	–	–	–	7,055,999	1.33
The Company ³	396,641,357	74.84	13,727,069	2.59	6,671,070	1.26
Sub-total:	396,641,357	74.84	296,005,248	55.85	296,005,248	55.85
Public	133,327,669	25.16	233,963,778	44.15	233,963,778	44.15
Total:	529,969,026	100.00	529,969,026	100.00	529,969,026	100.00

Notes:

1. Fung Shing, Parkfield, Eartrade, Bannock, Ronastar and Mr. Ng hold 396,050,252 Shares, 371,864,000 Shares, 250,646,400 Shares, 237,303,360 Shares, 16,665,600 Shares, 71,652,200 Shares respectively.

Fung Shing, Parkfield and Ronastar are wholly-owned by Mr. Ng, while Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung Choi Ngor. Accordingly, Mr. Ng is deemed to have an interest in the totalling 1,272,529,612 Shares held by Fung Shing, Parkfield, Ronastar, Bannock and Eartrade.

2. Holders of Share Options include Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter, all being Directors of the Company, each of whom holds 6,000,000 exercisable Share Options, totalling 24,000,000 exercisable Share Options. Accordingly, if all the exercisable Share Options are exercised on or before the Record Date, each of these Directors will obtain 6,360,000 SCC Shares and 1,260,000 SCC Warrants, totalling 25,440,000 SCC Shares and 5,040,000 SCC Warrants pursuant to the Distribution.
3. The Company holds the SCC Shares and SCC Warrants through intermediate companies.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR THE DISTRIBUTION

The Directors consider that the segregation of core business activities into separate groups enable the performance of each activity to be readily valued by the market, allowing an investor to select the type of investment and the risk he would like to take.

The Directors believe that the Distribution will:

1. reflect the intrinsic value of SCH and SCC shares;
2. minimize and save administrative and compliance work in maintaining a chain of listed companies, simplify group reporting structure, enhance operating efficiency and decision making process as well as expedite financial reporting process;
3. allow the Shareholders to have a clearer view of the business of the Company and SCC; and
4. give an opportunity to the Shareholders to hold a separate and direct investment in each of the Company and SCC, allowing their investments to be more liquid and easier to capture their underlying value.

Following the Distribution, the Remaining Group will continue to be engaged in information technology related businesses, the implementation and marketing of software application, sale of airline tickets and provision of other related services, and investment holding.

EFFECT ON THE DISTRIBUTION

The consolidated financial results of SCC Group will not be consolidated into the financial results of the Company following the Distribution. SCC will cease to be a subsidiary of the Company. The Directors do not expect that there is any change to the management and the board of SCC as SCC Group continue to be controlled by Mr. Ng, the respective Chairman of the Company and SCC, and his associates.

POSSIBLE CONTINUING CONNECTED TRANSACTIONS

It is expected that the continuing connected transactions amongst the Remaining Group and SCC Group will continue after the Distribution. They include rental agreements between SCC Group and the Remaining Group, purchase of airline tickets from the Remaining Group by SCC Group, and the sharing of supporting services such as company secretarial, corporate finance and legal services. Future transactions will comply with Chapter 14A of the Listing rules

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

As required under the Articles of Association of the Company, the Distribution will be subject to the sanction of the Shareholders at the EGM.

A notice convening the EGM is set out on pages 10 to 11.

There is enclosed with this circular a proxy form for use at the EGM. Whether or not you are able to attend the EGM or any adjournment thereof, you are requested to read the notice and complete and return the proxy form in accordance with the instructions printed thereon to the Company's share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. In the event that a Shareholder having lodged a proxy form attends the EGM, his proxy form will be deemed to have been revoked.

VOTE BY POLL

Under Rule 13.39(4) of the Listing rules, any vote of Shareholders at a general meeting must be taken by poll.

CLOSURE OF REGISTER OF MEMBERS AND REGISTRATION PROCEDURES

The register of members of the Company will be closed from 18 June 2009 to 19 June 2009 (both dates inclusive) for the purpose of determining the entitlements of the Shareholders under the Distribution. No transfer of Shares may be registered during the book close date.

In order to qualify for the Distribution, all transfers accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by not later than 4:00 p.m. on 17 June 2009.

TENTATIVE TIMETABLE

Last day for dealing in the Shares cum-entitlement to dividend Monday, 15 June 2009

First day for dealings in the Shares ex-entitlement to dividend Tuesday, 16 June 2009

Latest time for lodging transfer of the Shares to
qualify for the special dividend 4:00 p.m. on Wednesday,
17 June 2009

LETTER FROM THE BOARD

Register of members of Company closes (both dates inclusive) Thursday, 18 June 2009 to
Friday, 19 June 2009

EGM Friday, 19 June 2009

Record Date for determining the entitlement to dividends. Friday, 19 June 2009

Despatch of SCC share certificates and warrant certificates Friday, 3 July 2009

The above timetable is an indication only. Further announcement will be made if there were changes to the above tentative timetable.

INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries and associates principally engage in the trading and manufacturing, information technology related businesses, property investment and development, the implementation and marketing of software application, magazine publishing businesses, marketing and promotional services, agriculture and woods, sale of airline tickets and the provision of other related services.

INFORMATION ON SCC

SCC is an investment holding company. Its principal subsidiaries engage in the trading and manufacturing of toys, shoes, electronics toys products, leather products, motors and capacitors, magazine publishing business, property investment and development and agriculture and woods.

The shares and warrants of SCC are listed on the Main Board with Stock Code of 413 and 807 respectively.

RECOMMENDATION

The Directors consider that the Distribution is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all Shareholders to vote in favour of the relevant ordinary resolution to be proposed in the EGM.

Yours faithfully,
On behalf of the Board of
South China Holdings Limited
Cheung Choi Ngor
Director

NOTICE OF EXTRAORDINARY GENERAL MEETING



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of South China Holdings Limited (the “Company”) will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 19 June 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

“THAT:

- (a) the declaration of special dividend by way of distribution of specie of shares and warrants of South China (China) Limited (“SCC”) to the shareholders of the Company (“Shareholders”) registered on the register of members on 19 June 2009 (the “Distribution”) on the basis of 106 shares of SCC and 21 warrants of SCC for every 100 shares of the Company held by the Shareholders be and is hereby generally and unconditionally approved; and
- (b) any one director of the Company (the “Director(s)”), or any two Directors or any one Director and the company secretary of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorized for and on behalf of the Company to sign and execute any documents or to do such acts and things as may be necessary, desirable or expedient to carry out or to give effect to any and/or all transactions in relation to the Distribution.”

By order of the board of
South China Holdings Limited
Cheung Siu Lan
Company Secretary

Hong Kong, 3 June 2009

Principal Place of Business in Hong Kong:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the extraordinary general meeting or any adjourned meeting should he/she so wishes.
3. The register of members of the Company will be closed from 18 June 2009 to 19 June 2009, both days inclusive, during which period no share transfers will be registered. To qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates of the Company must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 17 June 2009.
4. In case of joint shareholdings, any one of such persons may vote, either personally or by proxy in respect of such share, provided that if more than one of such joint holders be present at the meeting (or any adjournment thereof) personally or by proxy, the more senior shall alone be entitled to vote and for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the joint holding.