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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in South China Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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 IN SOUTH CHINA FINANCIAL HOLDINGS LIMITED (Stock Code: 619)**

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A letter from the Board is set out on pages 3 to 8 of this circular.

A notice convening an extraordinary general meeting of South China Holdings Limited to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 2 December 2008 at 10:00 a.m. is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are advised to read the notice and requested to 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 1901-1902, 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 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 desire.

11 November 2008

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## DEFINITIONS

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*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 in SCF Shares to the Shareholders registered on the register of members on the Record Date;
“Distribution Shares”	The SCF Shares to be distributed by the Company under the Distribution;
“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 payment of special dividend by way of distribution in specie;
“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”	7 November 2008, being the latest practicable date prior to the printing to this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Main Board”	Main Board of the Stock Exchange;
“Mr. Ng”	Mr. Ng Hung Sang, Chairman and controlling shareholder of the Company and SCF;
“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 entitlement to the Distribution are determined;
“Ronastar”	Ronastar Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng;
“SCF”	South China Financial Holdings Limited, a company incorporated in Hong Kong, whose shares are listed on the Main Board;
“SCF Group”	SCF and its subsidiaries;
“SCF Shares”	Ordinary shares of HK\$0.025 each in the share capital of SCF;
“Share Options”	the subscription rights attaching to share options granted under the share options scheme of the Company adopted on 31 May 2002;
“Share(s)”	ordinary share(s) 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.

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## LETTER FROM THE BOARD

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### **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:*

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

*Independent Non-executive Directors:*

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

*Registered office:*

Offshore Incorporations (Cayman) Limited  
Scotia Centre  
4th Floor  
P.O. Box 2804  
George Town  
Grand Cayman  
Cayman Islands

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

28/F., Bank of China Tower  
1 Garden Road, Central  
Hong Kong

11 November 2008

*To the Shareholders*

Dear Sir or Madam,

### **DECLARATION OF SPECIAL DIVIDEND**

### **DISTRIBUTION IN SPECIE OF SHARES IN SOUTH CHINA FINANCIAL HOLDINGS LIMITED (Stock Code: 619)**

#### **INTRODUCTION**

On 21 October 2008, 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.

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## LETTER FROM THE BOARD

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### THE DISTRIBUTION

On 21 October 2008, the Board passed a resolution to declare a special dividend to be satisfied by distribution in specie.

The Group currently owns and controls an aggregate of 3,660,502,500 SCF Shares, representing approximately 72.79% of the issued share capital of SCF. As at the Latest Practicable Date, there are 1,823,401,376 Shares in issue and 33,933,332 outstanding Share Options are exercisable.

### Basis of the Distribution

In case there is no exercise of the outstanding exercisable Share Options or not more than 6,849,874 Share Options are exercised on or before the Record Date, the Distribution will be on the basis of two SCF Shares for every one Share held by the Shareholders whose names appear on the register of members of the Company at the Record Date. As a result, a maximum of 3,660,502,500 SCF Shares will be distributed to the Shareholders.

In case more than 6,849,874 Share Options are exercised on or before the Record Date, the Distribution will be on the basis of 197 SCF Shares for every 100 Shares held by the Shareholders whose names appear on the register of members of the Company at the Record Date. Assuming all the exercisable 33,933,332 Share Options are exercised on or before the Record Date, an additional 33,933,332 Shares will be issued pursuant to the exercise of these Share Options. As a result, a maximum of 3,658,949,374 SCF Shares will be distributed to the Shareholders. Fractional SCF Shares will not be distributed to Shareholders but will be aggregated and retained by the Company.

The Company will consider disposing the remaining SCF Shares held when the time is appropriate.

### Overseas Shareholders

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

## LETTER FROM THE BOARD

### Value of the Distribution Shares

The aggregate net asset value of the Distribution Shares to be distributed under the Distribution as at 30 June 2008 was approximately HK\$335,957,000, which equates to a dividend of approximately HK\$0.1842 per Share (assuming that there is no change in the issued share capital of the Company and no Share Option is exercised from the Latest Practicable Date up to the Record Date).

The Distribution Shares are credited as fully paid and rank pari passu in all respects with all other SCF Shares in issue and with each other, save for any dividends/distributions declared, paid or made by SCF before the Record Date.

### 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 structure of SCF

Assuming that there is no change to the respective issued share capital of the Company (except issue Shares due to exercise Share Options, if any) and SCF up to the Record Date, the expected shareholding structure of SCF 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 is exercised		Assuming all the exercisable Share Options are exercised	
	No. of SCF Shares held	%	No. of SCF Shares held	%	No. of SCF Shares held	%
Fung Shing <sup>1</sup>	–	–	792,100,504	15.75	780,218,996	15.51
Parkfield <sup>1</sup>	–	–	743,728,000	14.79	732,572,080	14.57
Earnttrade <sup>1</sup>	–	–	501,292,800	9.97	493,773,408	9.82
Bannock <sup>1</sup>	–	–	474,606,720	9.44	467,487,619	9.30
Ronastar <sup>1</sup>	–	–	33,331,200	0.66	32,831,232	0.65
Mr. Ng <sup>1</sup>	–	–	143,304,400	2.85	141,154,834	2.81
Holders of Share Options <sup>2</sup>	–	–	–	–	66,848,664	1.33
The Company <sup>3</sup>	3,660,502,500	72.79	13,699,748	0.27	1,553,126	0.03
<b>Sub-total:</b>	<b>3,660,502,500</b>	<b>72.79</b>	<b>2,702,063,372</b>	<b>53.73</b>	<b>2,716,439,959</b>	<b>54.02</b>
Public	1,368,332,000	27.21	2,326,771,128	46.27	2,312,394,541	45.98
<b>Total</b>	<b>5,028,834,500</b>	<b>100.00</b>	<b>5,028,834,500</b>	<b>100.00</b>	<b>5,028,834,500</b>	<b>100.00</b>

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## LETTER FROM THE BOARD

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*Notes:*

1. Fung Shing, Parkfield, Earntrade, 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 and 71,652,200 Shares respectively.

Fung Shing, Parkfield and Ronastar are wholly-owned by Mr. Ng, while Bannock is a wholly-owned subsidiary of Earntrade 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 Earntrade.

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, the 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 11,820,000 Distribution Shares, totalling 47,280,000 Distribution Shares.
3. The Company holds the SCF Shares through intermediate companies.

### REASONS AND BENEFITS FOR THE DISTRIBUTION

The Directors believe that the Distribution will 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. The Distribution allows the Shareholders to have a clearer view of the business of the Company and SCF and gives an opportunity to the Shareholders to hold a separate and direct investment in each of the Company and SCF, allowing their investment to be more liquid and easier to capture their underlying value.

### EFFECT ON THE DISTRIBUTION

The consolidated financial results of SCF Group will not be consolidated into the financial results of the Company upon the Distribution. SCF 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 SCF as SCF Group continues to be controlled by Mr. Ng, the respective Chairman of the Company and SCF, and his associates.

### 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.

The notice convening the EGM is set out on pages 9 to 10 of this circular.

A form of proxy for the use at the EGM is enclosed with this circular. If you are not able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Union Registrars Limited at Rooms 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wahchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.



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## LETTER FROM THE BOARD

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### RIGHT TO DEMAND A POLL

Pursuant to the Articles of Association of the Company, a resolution put to the vote of a general meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) voting by way of poll is required by the Listing Rules or a poll is duly demanded. A poll may be demanded by:

- (i) the Chairman of the meeting; or
- (ii) at least five members present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend any vote at the meeting; or
- (iii) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or
- (iv) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights at such meeting.

Unless a poll is so demanded and not withdrawn, a declaration by the Chairman that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the Company's book containing the minutes of proceedings of meetings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

### CLOSURE OF REGISTER OF MEMBERS AND REGISTRATION PROCEDURES

The register of members of the Company will be closed from 27 November 2008 to 2 December 2008 (both dates inclusive) for the purpose of determining the entitlements of the Shareholders to Distribution Shares 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 1901-1902, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by not later than 4:00 p.m. on 26 November 2008.

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## LETTER FROM THE BOARD

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### TENTATIVE TIMETABLE

Last day for dealing in the Shares cum-entitlement to dividend . . . . . Monday, 24 November 2008

First day for dealings in the Shares ex-entitlement to dividend . . . . . Tuesday, 25 November 2008

Latest time for lodging transfer of the Shares to qualify for  
the special dividend . . . . . 4:00 p.m. on Wednesday,  
26 November 2008

Register of members of Company closes (both dates inclusive). . . . . Thursday 27 November 2008  
to Tuesday 2 December 2008

EGM . . . . . Tuesday, 2 December 2008

Record Date for determining the entitlement to dividends. . . . . Tuesday, 2 December 2008

Despatch of SCF share certificates . . . . . Tuesday, 16 December 2008

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

### INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the trading and manufacturing, securities, bullion and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services and underwriting services, information technology related businesses, property investment and development, magazines publishing businesses, marketing and promotional services, agriculture and woods, sale of airline tickets and the provision of other travel related services.

### INFORMATION ON SCF

The principal business of SCF and its subsidiaries is securities, bullion and commodities broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, property investment and investment holding.

The shares of SCF are listed on the Main Board with Stock Code: 619.

### 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*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### **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 2 December 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the declaration of special dividend by way of distribution in specie in shares of South China Financial Holdings Limited (the “SCF Shares”) to the shareholders of the Company registered on the register of members on 2 December 2008 (the “Distribution”) on the basis of two SCF Shares for every share held by the shareholders of the Company provided that the issued shares of the Company on 2 December 2008 will not be more than 1,830,251,250 shares, or otherwise, the Distribution will be on the basis of 197 SCF Shares for every 100 shares held by the shareholders of the Company be and is hereby generally and unconditionally approved; and
- (b) any two directors of the Company, or any one director and the company secretary of the Company be and are hereby authorized, for and on behalf of the Company to sign and execute any documents or to do such further 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  
**Cheung Choi Ngor**  
*Director*

Hong Kong, 11 November 2008

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Principal Place of Business in Hong Kong:*

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

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. 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 attorney or authority, must be deposited at the Company's share registrar, Union Registrars Limited at Rooms 1901-1902, 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 meeting or any adjourned meeting should he so wish.
3. In case of joint shareholding, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand on the register of members of the Company in respect of the joint shareholding.