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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

ANNOUNCEMENT OF DECLARATION OF SPECIAL DIVIDEND

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

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Distribution

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

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

As the Distribution is subject to the approval of the Shareholders, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

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 date of this announcement, 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, such 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).

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 date of this announcement 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 issued share capital of the Company up to the Record Date, the expected shareholding structure of SCF as at the date of this announcement and immediately following the Distribution is set out below:

| <u>Immediately following the Distribution</u> | | | | | | | |
|--|---|----------------------|---|----------------------|---|----------------------|--|
| Shareholders | <u>As at the date of this announcement</u> | | Assuming no Share Options is exercised | | Assuming all the exercisable Share Options are exercised | | |
| | <u>No. of SCF Shares held</u> | <u>%</u> | <u>No. of SCF Shares held</u> | <u>%</u> | <u>No. of SCF Shares held</u> | <u>%</u> | |
| Fung Shing ¹ | - | - | 792,100,504 | 15.75 | 780,218,996 | 15.51 | |
| Parkfield ¹ | - | - | 743,728,000 | 14.79 | 732,572,080 | 14.57 | |
| Earntrade ¹ | - | - | 501,292,800 | 9.97 | 493,773,408 | 9.82 | |
| Bannock ¹ | - | - | 474,606,720 | 9.44 | 467,487,619 | 9.30 | |
| Ronastar ¹ | - | - | 33,331,200 | 0.66 | 32,831,232 | 0.65 | |
| Mr. Ng ¹ | - | - | 143,304,400 | 2.85 | 141,154,834 | 2.81 | |
| Holders of Share Options ² | - | - | - | - | 66,848,664 | 1.33 | |
| The Company ³ | <u>3,660,502,500</u> | <u>72.79</u> | <u>13,699,748</u> | <u>0.27</u> | <u>1,553,126</u> | <u>0.03</u> | |
| Sub-total: | <u>3,660,502,500</u> | <u>72.79</u> | <u>2,702,063,372</u> | <u>53.73</u> | <u>2,716,439,959</u> | <u>54.02</u> | |
| Public | <u>1,368,332,000</u> | <u>27.21</u> | <u>2,326,771,128</u> | <u>46.27</u> | <u>2,312,394,541</u> | <u>45.98</u> | |
| Total | <u>5,028,834,500</u> | <u>100.00</u> | <u>5,028,834,500</u> | <u>100.00</u> | <u>5,028,834,500</u> | <u>100.00</u> | |

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, 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 hold 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.

A circular incorporating the notice convening the EGM will be sent to the Shareholders as soon as practicable in accordance with the requirement of the Listing Rules.

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 0901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong by not later than 4:00 p.m. on 26 November 2008.

TENTATIVE TIMETABLE

| | |
|--|---|
| Declaration of special dividend | Tuesday, 21 October 2008 |
| Despatch of circular and notice of EGM..... | Tuesday, 11 November 2008 |
| EGM..... | Tuesday, 2 December 2008 |
| 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 |
| 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 were 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.

As the Distribution is subject to the approval of the Shareholders, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

In this announcement, 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; |

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|-------------------------|---|
| “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; |
| “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 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; |

On behalf of the Board of
SOUTH CHINA HOLDINGS LIMITED
Cheung Choi Ngor
Director

Hong Kong, 21 October 2008

As at the date of this notice, the Board comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung, Peter as executive directors; (2) Mr. David Michael Norman and Ms. Ng Yuk Mui, Jessica 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.