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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)



SOUTH CHINA (CHINA) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

**Discloseable and Connected Transaction
in relation to sale of 100% in
South China Media Limited**

**Continuing Connected Transactions
in relation to the Rental Agreement(s)**

**Continuing Connected Transactions
in relation to the Rental Agreement(s)**

THE SALE

On 28 December 2007, the Vendor and the Purchaser entered into the Agreement pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Shareholder's Loan at a consideration of HK\$30 million payable in cash.

THE RENTAL AGREEMENT(S)

SCM Management will enter into the Rental Agreement(s) on Completion with Copthorne as the landlord for the Premises at an aggregate monthly rental of HK\$307,085 for a term of approximately two years starting from the date of Completion to 31 December 2009.

LISTING RULES IMPLICATIONS

Mr. Ng, the chairman and a substantial shareholder of SCH, is also the controlling shareholder of the Purchaser, hence is considered a connected person of SCH. As the applicable percentage ratios in respect of the Sale and in aggregating the previous connected transactions disclosed in SCH's announcements dated 4 July 2007 and 26 October 2007 represent more than 5% but less than 25%, the Sale is classified as a discloseable and connected transaction under the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the EGM. As Mr. Ng is materially interested in the Sale and is entitled to exercise control over the voting rights in respect of the Shares, Mr. Ng and his associates shall abstain from voting for the resolution in connection with the Sale to be proposed at the EGM. The Rental Agreement(s) constitute continuing connected transactions of SCH upon Completion of the Sale.

Upon Completion of the Sale, SC Media Group will be beneficially owned by Mr. Ng and therefore payments of the rental contemplated under the Rental Agreement(s) by SCM Management will constitute continuing connected transactions for SCH and SCC under the Listing Rules. As each of the percentage ratios (other than profits ratio) is on an annual basis less than 2.5%, payments of the rental contemplated under the Rental Agreement(s) are only subject to the reporting and announcement requirement and are exempt from the independent shareholders' approval requirements under 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.

THE SALE

On 28 December 2007, the Vendor and the Purchaser entered into the Agreement pursuant to which, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Shareholder's Loan at a consideration of HK\$30 million payable in cash.

The Agreement

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| Date: | 28 December 2007 |
| Parties: | (1) Broaden Base Investments Limited as the Purchaser. (2) Tek Lee as the Vendor. |
| Assets to be Acquired: | The Sale Shares, being the entire issued share capital of SC Media, and the Shareholder's Loan. |
| Consideration: | HK\$30 million payable in cash. |
| Conditions precedent: | Completion shall be conditional upon, among others: (i) the approval by the Shareholders (other than those prohibited from voting under the Listing Rules) in general meeting by way of a poll of (a) the disposal by the Vendor of the Sale Shares and the Shareholder's Loan; and (b) all other transactions contemplated under the Agreement; 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 Agreement and any of the transactions contemplated under the Agreement. |

- Other principal terms:
- (i) Vendor shall make good the Shortfall by all means including by way of cash payment into SC Media or procuring the creditor(s) (“Creditor(s)”) of SC Media, excluding the shareholder of the Shareholder’s Loan, to enter into deed of novation with, inter alia, SC Media (as outgoing debtor) and the Vendor (as incoming debtor) within 60 days of the Completion Date whereby the Vendor shall assume the liabilities of the Shortfall owed to the Creditor(s) of SC Media so that the amount of the consolidated net tangible assets of the SC Media Group (excluding the Shareholder’s Loan), after being made good by the Vendor, would be as if it were equal to zero as at 31 December 2007 provided that the maximum liability of the Vendor to make good the Shortfall shall be limited to HK\$80,000,000; and
 - (ii) although subject to Completion having taken place, the Purchaser shall be responsible for the operation and profit and loss of the SC Media Group as from 1 January 2008 onwards, Vendor will still pay the operating costs and expenses and advances of the SC Media Group between the period from 1 January 2008 and the Completion Date (both dates inclusive) but such amount paid shall be deducted from the amount of the Shortfall to be made good by the Vendor as referred to in (i) above.

Completion: Completion is expected to take place on the second Business Day after the day on which the last of the conditions is fulfilled or waived or such other date as the parties to the Agreement may agree.

Basis of consideration

The consideration was determined after arms’ length negotiations between the Purchaser and the Vendor, an investment holding company, taking into account of (i) the loss history of publishing business; (ii) expected consolidated net assets value as at 31 December 2007 of HK\$0; and (iii) a premium of HK\$30 million.

The expected net cash outflow of this transaction will be no more than HK\$50,000,000 (being the consideration of HK\$30,000,000 minus maximum liability of HK\$80,000,000) and if the Shortfall were above HK\$80,000,000 the excess amount shall be taken up by the Purchaser.

Having considered (i) the benefit of streamlining the operations of the Group; (ii) the management can focus on core activities; and (iii) the positive financial impact and improved operating cash flows on the Group, the Directors consider that the Sale is fair and reasonable and is in the interests of SCH and the Shareholders as a whole.

INFORMATION ON THE SC MEDIA GROUP

Overview

SC Media Group is engaged in the business of publications for the following magazine titles “marie claire”, “HIM”, “ESQUIRE”, “Carplus”, “快週刊”, “3週刊”, “JESSICA’s完全女人手冊”, “CAPITAL Weekly”, “兒童快報週刊”, “兒童快報月刊”, “星刊88” and “星期五”. With the exception of “星刊88” and “星期五” which are published and sold in PRC, all the magazines are published and sold in Hong Kong.

Financial Information

The unaudited consolidated net liabilities of SC Media Group as at 31 December 2006, 30 June 2007 and 31 October 2007 were approximately HK\$430.7 million (including advances from group companies of HK\$367.0 million), HK\$443.4 million (including advances from group companies of HK\$387.1 million) and HK\$74.4 million (after the capitalization of a shareholder’s loan of HK\$380 million in October 2007) respectively. The unaudited consolidated revenue and loss before and after taxation for the year ended 31 December 2006 for the publication business of SC Media Group were approximately HK\$199.8 million, HK\$68.1 million and HK\$68.1 million respectively. The unaudited consolidated revenue and loss before and after taxation for the year ended 31 December 2005 for the publication business of SC Media Group were approximately HK\$227.8 million, HK\$56.0 million and HK\$56.0 million respectively.

REASONS AND BENEFITS OF THE SALE

As mentioned in previous announcements of SCH made in this year, the Group has undergone various corporate restructure for the purpose of streamlining its business activities, so that resources can be more focused on business segments where upside potential is identified.

In view of the continuous loss making of the publication business, the Group has devoted tremendous management time and efforts in the past with the hope to bring the business from a negative contribution to a positive contribution. Resources have been inappropriately allocated. The sale of the publication business will enable the Group to reserve its energy in core activities with better earning potential.

Currently, both of Mr. Ng and Mr. Ng Yuk Fung, Peter are executive directors of SCH and Mr. Ng is the controlling shareholder and a director of and Mr. Ng Yuk Fung, Peter is also a director of a private group which engage in publication business. The Sale has the advantage of reducing the likely business conflicts and competition, if any, between the companies.

Upon Completion, SCH will cease to hold any equity interest in SC Media Group and SC Media will cease to be a subsidiary of SCH.

Gain/Loss on the transaction

Had the Sale been completed on 31 December 2007, the Group will recognize a consolidated gain on disposal of subsidiaries of HK\$30 million, taking into account of (i) the consideration of HK\$30 million; and (ii) the expected consolidated net assets value of HK\$0 as at 31 December 2007. In addition, if the Shortfall were above HK\$80,000,000, the gain on disposal of subsidiaries will further increase by the excess amount.

The net proceeds from the transaction will be used as general working capital of the Group.

THE RENTAL AGREEMENT(S)

SCM Management will enter into the Rental Agreement(s) on Completion with Copthorne as the landlord for the Premises at an aggregate monthly rental of HK\$307,085 for a term of approximately two years starting from the date of Completion to 31 December 2009.

The consideration was arrived at after arm's length negotiations between SCM Management and Copthorne with reference to the rental charged to other subsidiaries of the Group and independent third parties in the Wah Shing Centre and the prevailing market rates in the adjacent buildings.

The entering into the Rental Agreements would provide SCH and SCC with stable rental income and would allow the SC Media Group in continuing the business operation in the Premises after Completion. The Directors believe that the terms of the Rental Agreement(s) are fair and reasonable and in the interests of the Shareholders. The Directors of SCC believe that the terms of the Rental Agreement(s) are fair and reasonable and in the interests of the shareholders of SCC.

Proposed Annual Cap

Based on the terms of the Rental Agreement(s), the Directors propose that the annual cap, which means the maximum aggregate annual value as defined under the Listing Rules, of the rental contemplated under the Rental Agreement(s) for each year from the Completion shall be HK\$3.7 million.

Basis of the Annual Cap

The annual cap proposed for the rental contemplated under the Rental Agreement(s) is determined by reference to the agreed rent under the Rental Agreement(s).

INFORMATION ON SCH

SCH 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, implementation and marketing of software applications, magazines publishing businesses, marketing and promotional services, agricultural production, sale of airline tickets and the provision of other related services.

INFORMATION OF SCC

SCC is an investment holding company listed on the Main Board. SCC and its subsidiaries are principally engaged in the manufacturing of toys, compressors, shoes, electronic toys products, leather products, motors, machinery, capacitors and clothing, property investment and development and agriculture and woods. As at the date of this announcement, SCH beneficially holds approximately 74.79% of the issued share capital of SCC.

INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in British Virgin Islands in which Mr. Ng, the Chairman and a substantial shareholder of SCH, owns 100% of the entire issued share capital. Hence the Purchaser is considered a connected person of SCH and SCC.

LISTING RULES IMPLICATION

Mr. Ng, the chairman and a substantial shareholder of SCH and SCC, is also the controlling shareholder of the Purchaser, hence is considered a connected person of SCH and SCC. As the applicable percentage ratios in respect of the Sale and in aggregating the previous connected transaction disclosed in SCH's announcements dated 4 July 2007 and 26 October 2007, represent more than 5% but less than 25% the sale is classified as a discloseable and connected transaction under the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the EGM. As Mr. Ng is materially interested in the Sale and is entitled to exercise control over the voting rights in respect of the Shares, Mr. Ng and his associates shall abstain from voting for the resolution in connection with the Sale to be proposed at the EGM.

The Sale contemplated under the Agreement is conditional upon, among other things, the approval of the Independent Shareholders of the Sale conducted by way of poll by the Independent Shareholders. As at the date of this announcement, Mr. Ng and his associates hold beneficially 73.72% of the issued share capital of SCH, are required to abstain from voting in respect of the resolution to approve the Sale.

Upon Completion, payments of the rental contemplated under the Rental Agreements by SCM Management will constitute continuing connected transactions for SCH and SCC under the Listing Rules. As each of the percentage ratios (other than profits ratio) is on an annual basis less than 2.5%, payments of the rental contemplated under the Rental Agreement(s) are only subject to the reporting and announcement requirement and are exempt from the independent shareholders' approval requirements under the Listing Rules. Details of the rental contemplated under the Rental Agreements will be disclosed in the annual report and accounts of SCH and SCC. Each of SCH and SCC will re-comply with the Listing Rules if the Rental Agreement(s) is renewed upon maturity.

The Independent Board Committee comprising Mr. David John Blackett, Mr. Cheng Hong Kei and Mrs. Tse Wong Siu Yin, Elizabeth will make recommendations to the Independent Shareholders. SCH will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale.

A circular containing, among other things, (i) further particulars of the Sale; (ii) the recommendations of the Independent Board Committee to the Independent Shareholders regarding the Sale; (iii) a letter of advice from the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale; and (iv) the notice convening the EGM will be sent to the Shareholders as soon as practicable in accordance with the requirements of 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.

DEFINITIONS

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

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| “Agreement” | the sale and purchase agreement dated 28 December 2007 entered into between the Vendor and the Purchaser in relation to the Sale; |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules; |
| “Board” | the board of directors of SCH; |
| “Business Day” | a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for banking business in Hong Kong; |
| “Completion” | completion of the Sale pursuant to the Agreement; |
| “Completion Date” | the second Business Day after the day on which the last of the conditions (other than those referred to in the Agreement) has been fulfilled or waived or such other date as the parties to the Agreement may agree in writing on which Completion is to take place; |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules; |
| “Copthorne” | Copthorne Holdings Corporation, a company incorporated in Panama with limited liability, which is a wholly-owned subsidiary of SCC; |
| “Directors” | the directors (including the independent non-executive directors) of SCH; |
| “EGM” | the extraordinary general meeting of SCH to be held to approve, among other things, the Sale; |
| “Group” | SCH and its subsidiaries; |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Board Committee” | an independent committee of the Board established to advise the Independent Shareholders on the Sale; |
| “Independent Shareholders” | holders of Shares other than Mr. Ng Hung Sang and his associates; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Ng” | Mr. Ng Hung Sang, the Chairman and a substantial shareholder of SCH, is also the controlling shareholder of the Purchaser; |
| “Premises” | the premises situated at units A, B and D on 3rd Floor, units A, B, C and D on 4th Floor, unit D on 10th Floor and units A, B, C and D on 12th Floor (with a total area of 59,017 sq. feet) together with the car parking space nos. 12A, 12B, 13A and 13B of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong; |
| “Purchaser” | Broaden Base Investments Limited, a company incorporated in British Virgin Islands and Mr. Ng is the controlling shareholder; |
| “Rental Agreement(s)” | the rental agreement(s) to be entered into between SCM Management as the tenant and Copthorne as the landlord on Completion for the Premises at an aggregate monthly rental of HK\$307,085 for a term of approximately two years starting from the date of Completion to 31 December 2009; |
| “Sale” | the proposed sale and purchase of the Sale Shares and the Shareholder’s Loan; |
| “Sale Shares” | 2 shares in SC Media, representing the entire issued share capital of SC Media; |
| “SCC” | South China (China) Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is a 74.79%-owned subsidiary of SCH. The shares of which are listed on the Stock Exchange; |
| “SCH” | 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 of the Stock Exchange; |
| “SC Media” | South China Media Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCH; |

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| “SC Media Group” | SC Media and its subsidiaries; |
| “SCM Management” | South China Media Management Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SC Media; |
| “Share(s)” | ordinary share(s) of HK\$0.025 each in the share capital of SCH; |
| “Shareholders” | holders of Shares; |
| “Shareholder’s Loan” | a sum representing the total outstanding interest-free loans as at 31 December 2007 due from SC Media to the Vendor; |
| “Shortfall” | excess of the consolidated tangible liabilities over consolidated tangible assets of the SC Media Group as at 31 December 2007 so that the amount of the consolidated net tangible assets of the SC Media Group (excluding the Shareholder’s Loan), after being made good by the Vendor, would be as if it were equal to zero as at 31 December 2007; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Tek Lee” or “Vendor” | Tek Lee Finance And Investment Corporation Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCH; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; and |
| “%” | per cent. |

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

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

Hong Kong, 28 December 2007

As at the date of this announcement, 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.

As of the date of this announcement, the board of directors of SCC comprises (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica as non-executive director; and (3) Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice as independent non-executive directors.

Please also refer to the published version of this announcement in The Standard.