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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

**Discloseable and connected transaction in respect of
acquisition of interest in
South China Land Limited 南華置地有限公司**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**

***Hercules*
Hercules Capital Limited**

A letter from the Board is set out on pages 6 to 19 of this circular. A letter from the Independent Board Committee is set out on page 20 of this circular, and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 46 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 4 December 2007 at 10:30 a.m. is set out on pages 68 to 69 of this circular. Whether or not you are able to attend the 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 1901-02 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 the 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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	6
Letter from the Independent Board Committee	20
Letter from Hercules Capital	21
Appendix I – Property Valuation Report	47
Appendix II – General Information	54
Notice of EGM	68

DEFINITIONS

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

“Acquisition”	the conditional acquisition of the Sale Shares by the Purchaser pursuant to the terms of the S&P Agreement
“Announcement”	the joint announcement made by the Company, SCC, SCL and Skychance in respect of the Acquisition and the Offers dated 26 October 2007
“Bannock”	Bannock Investment Limited, a company incorporated in the Republic of Liberia with limited liability and a wholly-owned subsidiary of Earntrade, which is in turn owned as to 60% by Mr. Ng, 20% by Ms. Cheung Choi Ngor and the remaining 20% by Mr. Richard Howard Gorges
“Board”	the board of Directors
“Commission”	Securities and Futures Commission of Hong Kong
“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
“Completion”	completion of the Acquisition under the terms of the S&P Agreement
“Connected Person”	has the meaning ascribed to it under the Listing Rules
“Convertible Notes”	the two convertible notes issued by SCL to Skychance with aggregate face value of HK\$800 million
“Director(s)”	the director(s) of the Company
“Disposals”	the disposals of the entire interest in Praise Rich Limited by the SCC Group to SCL in March and July 2007
“Earntrade”	Earntrade Investments Limited, a company incorporated in Hong Kong with limited liability which is owned as to 60% by Mr. Ng, 20% by Ms. Cheung Choi Ngor and the remaining 20% by Mr. Richard Howard Gorges
“EGM”	the extraordinary general meeting of the Company to be held on 4 December 2007 at 10:30 a.m. to approve the Acquisition
“Enlarged Group”	the Group and the SCL Group

DEFINITIONS

“Fubon Capital”	Fubon Capital (HK) Limited, a licensed corporation to carry out types 1, 4 and 6 regulated activities (dealing in securities, advising on securities and advising on corporate finance respectively) under the SFO, the entity making the Offers on behalf of the Offeror
“Fung Shing”	Fung Shing Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hercules Capital”	Hercules Capital Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO, the independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising Mr. David John Blackett and Mr. Cheng Hong Kei established to give its advice to the Independent Shareholders in respect of the Acquisition. Mrs. Tse Wong Siu Yin, Elizabeth, who is an independent non-executive director of both the Company and SCC, is considered to be interested in the Acquisition and therefore cannot act as a member of the Independent Board Committee
“Independent Shareholders”	Shareholders who are not interested or involved in the Acquisition, being the Shareholders other than the Vendors and their associates
“Latest Practicable Date”	14 November 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining and collation of relevant information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“Mr. Ng”	Mr. Ng Hung Sang, director and controlling shareholder of the Company, SCC, SCL, Parkfield, Earntrade, Fung Shing, Bannock and Ronastar

DEFINITIONS

“Offer Shares”	the SCL Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it
“Offeror”	Skychance
“Offers”	the Share Offer and the Option Offer
“Option Offer”	the possible unconditional mandatory cash offer to be made by Fubon Capital on behalf of the Offeror for all outstanding Share Options in accordance with the Takeovers Code
“Option Offer Price”	the price of, as the case may be, HK\$0.1134, HK\$0.020 and HK\$0.015 per Share Option for each outstanding Share Option
“Optionholder(s)”	holder(s) of the Share Options
“Parkfield”	Parkfield Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng
“PRC”	the People’s Republic of China
“Promissory Note(s)”	the promissory note(s) to be issued by Skychance to the Vendors upon Completion as the consideration in connection with the Acquisition
“Purchaser”	Skychance
“Ronastar”	Ronastar Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Ng
“S&P Agreement”	the conditional sale and purchase agreement dated 26 October 2007 entered into between the Purchaser and the Vendors in connection with the Acquisition
“Sale Share(s)”	the 346,709,203 SCL Shares held by the Vendors to be conditionally purchased by the Purchaser under the Acquisition
“SCC”	South China (China) Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board

DEFINITIONS

“SCC Board”	the board of SCC Directors
“SCC Director(s)”	the director(s) of SCC
“SCC EGM”	the extraordinary general meeting of SCC to be held on 4 December 2007 at 10:00 a.m. to approve the Acquisition
“SCC Group”	SCC and its subsidiaries
“SCC Shareholder(s)”	the shareholder(s) of SCC
“SCL”	South China Land Limited 南華置地有限公司, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM
“SCL Director(s)”	the director(s) of SCL
“SCL Group”	SCL and its subsidiaries
“SCL Share(s)”	the share(s) of HK\$0.01 each in the issued share capital of SCL
“SCL Shareholder(s)”	the shareholder(s) of SCL
“SFO”	the Securities and Futures Ordinance
“Share(s)”	the share(s) of HK\$0.025 each in the issued share capital of the Company
“Share Offer”	the possible unconditional mandatory cash offer to be made by Fubon Capital on behalf of the Offeror for all of the Offer Shares in accordance with the Takeovers Code
“Share Offer Price”	the price of HK\$0.33 per SCL Share
“Share Option(s)”	the share options which have been granted by SCL in accordance with SCL’s share option scheme adopted on 24 June 2002
“Shareholder(s)”	the shareholder(s) of the Company
“Shenyang Project”	the development of a site at Zhaoyang Street in the Shenhe District of Shenyang, the PRC (中國瀋陽市沈河區朝陽街) indirectly held by SCL
“Skychance”	Skychance Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by SCC, being the Purchaser to the Acquisition and the Offeror to the Offers

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Repurchases
“Vendors”	collectively, Bannock, Earnttrade, Fung Shing, Parkfield, Ronastar and Mr. Ng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter
Mr. David Michael Norman[#]
Ms. Ng Yuk Mui, Jessica[#]
Mrs. Tse Wong Siu Yin, Elizabeth*
Mr. David John Blackett*
Mr. Cheng Hong Kei*

[#] *Non-executive Directors*

* *Independent Non-executive Directors*

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:***

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

16 November 2007

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

Dear Sir or Madam,

**Discloseable and connected transaction in respect of
acquisition of interest in
South China Land Limited 南華置地有限公司**

INTRODUCTION

On 26 October 2007, Skychance and the Vendors entered into the S&P Agreement pursuant to which Skychance has agreed to conditionally acquire and the Vendors have agreed to conditionally dispose of the Sale Shares, representing approximately 68.45% of the issued share capital of SCL at an aggregate consideration of HK\$97,078,576.84 at a price of HK\$0.28 per Sale Share. The aggregate consideration is to be satisfied by the issue of the Promissory Note(s) by Skychance upon Completion. Skychance is a wholly-owned subsidiary of SCC, which is a 74.79% subsidiary of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, (i) the Offeror holds 120,000 SCL Shares, representing approximately 0.02% of the issued share capital of SCL; and (ii) the Offeror and the Vendors in aggregate hold 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital. The Offeror will own an aggregate of 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital immediately following Completion (assuming no new issue or repurchase of SCL Shares or conversion of the Convertible Notes until Completion). As the Offeror's shareholding in SCL is expected to, upon Completion, exceed the 30% threshold stipulated under Rule 26.1 of the Takeovers Code, the Offeror will be required to make unconditional mandatory cash offers for (i) all of the then issued SCL Shares not already beneficially-owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) all outstanding Share Options not held by the Offeror and parties acting in concert with it. The Offers, if and when made, will be unconditional in all respects.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Acquisition; (ii) the recommendation from the Independent Board Committee in respect of the Acquisition; (iii) the recommendation from Hercules Capital in respect of the Acquisition and the terms of the Offers; (iv) a property valuation report in respect of the Shenyang Project; and (v) a notice convening the EGM.

THE ACQUISITION

The S&P Agreement

Date : 26 October 2007

Parties : Skychance, a wholly-owned subsidiary of SCC, which is a 74.79% subsidiary of the Company, as the Purchaser; and (i) Earntrade, (ii) Bannock, (iii) Fung Shing, (iv) Parkfield, (v) Ronastar and (vi) Mr. Ng as the Vendors

Assets to be acquired

346,709,203 SCL Shares, representing approximately 68.45% of the issued share capital of SCL as at the Latest Practicable Date. The Sale Shares are attributable as to: (i) 62,661,600 SCL Shares held by Earntrade; (ii) 59,325,840 SCL Shares held by Bannock; (iii) 99,012,563 SCL Shares held by Fung Shing; (iv) 101,422,000 SCL Shares held by Parkfield; (v) 4,166,400 SCL Shares held by Ronastar; and (vi) 20,120,800 SCL Shares held by Mr. Ng.

LETTER FROM THE BOARD

Consideration

The aggregate consideration for the sale and purchase of the Sale Shares is HK\$97,078,576.84 at a price of HK\$0.28 per Sale Share. The aggregate consideration is to be satisfied by the issue of the Promissory Note(s) by Skychance upon Completion. The consideration per Sale Share of HK\$0.28 represents:

- (i) a discount of approximately 39.78% to the closing price of HK\$0.465 per SCL Share as quoted on the Stock Exchange on 26 October 2007 (being the last trading date immediately prior to the signing of the S&P Agreement);
- (ii) a discount of approximately 40.17% to the average closing price of HK\$0.468 per SCL Share as quoted on the Stock Exchange during the five trading days up to and including 26 October 2007 (being the last trading date immediately prior to the signing of the S&P Agreement);
- (iii) a discount of approximately 36.79% to the average closing price of HK\$0.443 per SCL Share as quoted on the Stock Exchange during the ten trading days up to and including 26 October 2007 (being the last trading date immediately prior to the signing of the S&P Agreement); and
- (iv) a discount of approximately 60% to the closing price of HK\$0.70 per SCL Share as quoted on the Stock Exchange on the Latest Practicable Date.

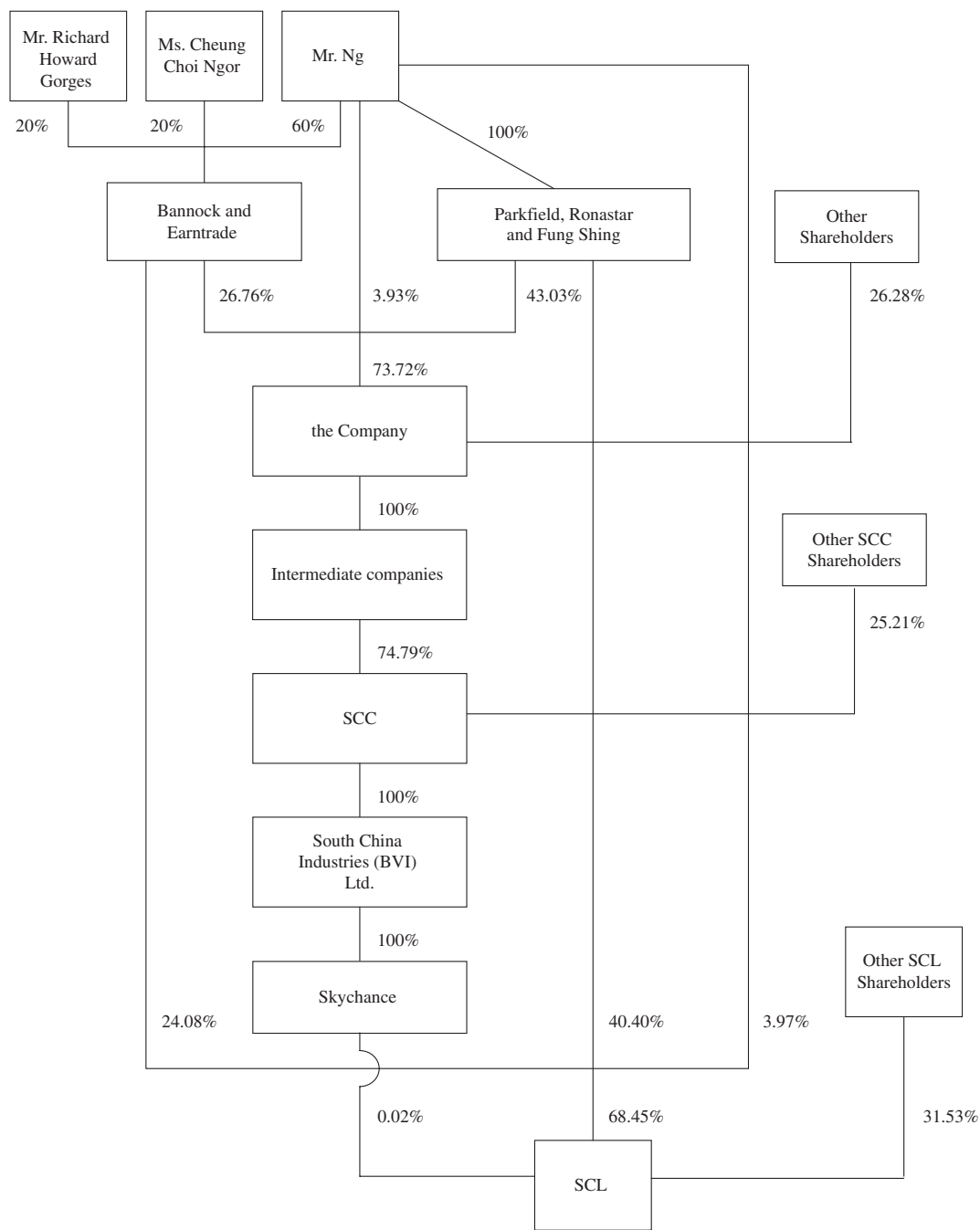
The consideration was arrived at after arm's length negotiations between Skychance and the Vendors with reference to (i) unaudited consolidated net asset value attributable to equity holders of SCL as at 30 June 2007 of HK\$0.155 per SCL Share; (ii) the recent price of the SCL Shares as quoted on the Stock Exchange; and (iii) the future business prospects of SCL. The Directors (including the independent non-executive Directors) concur with the view of the SCC Directors (including the independent non-executive SCC Directors) that the Acquisition is conducted on normal commercial terms and the terms thereof are fair and reasonable to and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Shareholding structure of SCL

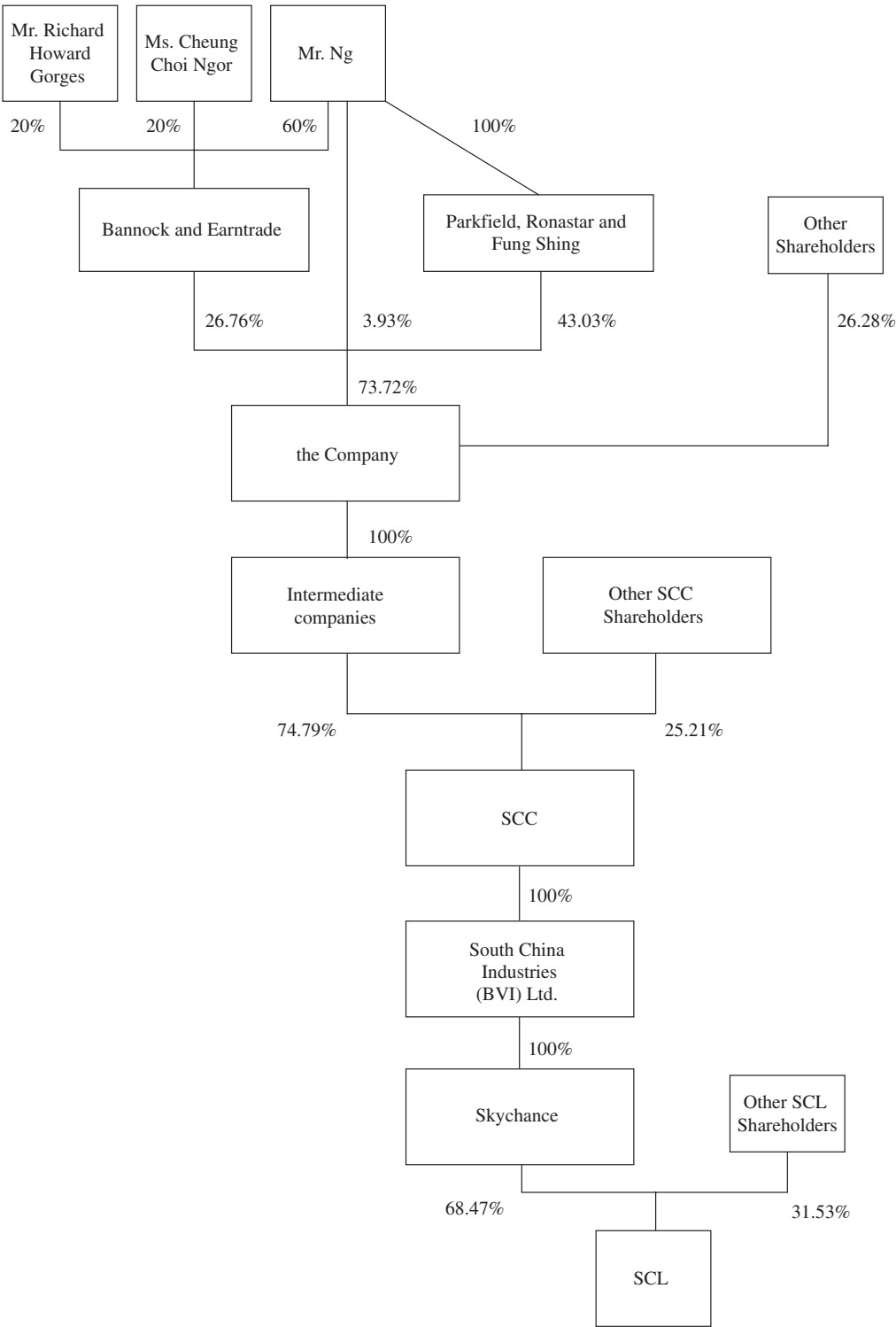
The shareholding structure of SCL as at the Latest Practicable Date and immediately following the Completion is set out below:

As at the Latest Practicable Date



LETTER FROM THE BOARD

Immediately following the Completion



LETTER FROM THE BOARD

Conditions precedent

The Completion of the Acquisition shall be conditional upon, among others:

- (i) the passing of all necessary resolutions by the Shareholders and/or the SCC Shareholders (other than such shareholders who are required to abstain from voting at the general meetings of the Company and/or SCC pursuant to the requirements under the Takeovers Code and/or the Listing Rules) at the EGM and/or the SCC EGM by way of a poll (if required) to approve the Acquisition; and
- (ii) no written or verbal indication or evidence of any indication having been received by any party of the S&P Agreement or SCL from the Stock Exchange or the Commission that as a result of or in connection with the transactions contemplated under the S&P Agreement:
 - (a) any rules, regulations or requirements of the Stock Exchange and/or the Commission have been, may or will be breached; and/or
 - (b) the SCL is, may or will be treated as a new listing applicant under the Listing Rules; and/or
 - (c) the listing status of the SCL on the Stock Exchange may or will be suspended, cancelled, revoked or adversely affected (including, without limitation, the imposition of any unusual or onerous conditions to the listing) for any reason other than the clearance of the Announcement.

Under the S&P Agreement, Skychance may waive any of the conditions (except condition (i) set out above) at any time by notice in writing. If any of the conditions is not fulfilled (or otherwise waived by Skychance) on or before 31 January 2008 (or such a later date as the parties thereto may agree in writing), the S&P Agreement shall forthwith terminate and all rights and obligations of the parties thereto shall, subject to the provisions of the S&P Agreement, cease to have effect immediately upon such termination.

Completion

Completion is expected to take place on the second business day after the day on which the last of the conditions (other than those referred to in the S&P Agreement) under the S&P Agreement is fulfilled or waived by Skychance (or such a later date as the parties thereto may agree in writing).

LETTER FROM THE BOARD

The Promissory Note(s)

The principal terms of the Promissory Note(s) to be issued to the Vendors are set out below:

Issuer	:	Skychance
Principal amount	:	HK\$97,078,576.84
Maturity	:	the day falling 18 months from the date of issue of the Promissory Note(s)
Interest rate	:	the Promissory Note(s) shall bear interest of 2% p.a. payable at maturity
Redemption	:	unless previously redeemed or cancelled in accordance with the terms of the Promissory Note(s), Skychance is required to redeem the outstanding principal amount of the Promissory Note(s) upon the maturity

REASONS FOR AND BENEFITS OF THE ACQUISITION

In March and July 2007, the SCC Group disposed of the entire interest in Praise Rich Limited under the Disposals to SCL. Praise Rich Limited indirectly holds an 80% equity interest in a joint venture which owns the Shenyang Project (the details of which are set out in the Company's circulars dated 12 February 2007 and 13 June 2007 respectively). As a result of the Disposals, the SCC Group has become the major creditor of SCL through its holding of the Convertible Notes with aggregate face value of HK\$800 million. The full exercise of the conversion rights attached to the Convertible Notes by the SCC Group would enable the SCC Group to become the single largest SCL Shareholder with an approximately 95.47% interest in the issued share capital of SCL as enlarged by the issue of SCL Shares upon conversion. In addition, SCC has undertaken to provide a guarantee in connection with a loan facility of up to HK\$500 million to be borrowed by the SCL Group (the details of which are set out in the Company's circular dated 12 February 2007). The SCC Board is generally of a view that though SCC is a prospective controlling SCL Shareholder and the provider of the guarantee to a loan facility mentioned immediately above, SCC does not have the rightful control of SCL through its holding of the Convertible Notes and cannot participate in the upside potential available to the SCL Shareholders directly. Although the Shenyang Project is now held by SCL after the completion of the Disposals in July 2007, the SCC Board still maintains a view that the Shenyang Project is of great potential which would offer great value to its investors. By participating as an indirect investor of the Shenyang Project, SCC will be able to capitalize on the value when the Shenyang Project is completed.

LETTER FROM THE BOARD

As an alternative to the acquisition of the Sale Shares from the Vendors, the SCC Board has considered to exercise the conversion rights attached to the Convertible Notes such that it can become a controlling SCL Shareholder. Under the Listing Rules, as the Vendors and SCC are connected parties, if the SCC Group elects to convert the Convertible Notes, it can only convert up to and hold a maximum of 20.70% equity interest, as enlarged by the issue of the SCL Shares upon conversion, in SCL in order that the minimum public float of 25% be maintained. The conversion of the Convertible Notes up to a 20.70% interest held by the SCC Group will not enable the SCC Group to hold a controlling interest in SCL and is not considered to be a desirable approach under the circumstances. In comparison, the SCC Group will acquire an approximately 68.45% interest in SCL which is a controlling interest under the Acquisition. Despite the 25% minimum public float must be maintained, it is expected that the SCC Group will be able to maintain a controlling shareholding in SCL of not less than 68.47% after the Offers. Further, the SCC Board is of the view that this is not an appropriate time to convert the Convertible Notes as SCL is still undergoing the transformation stage of business restructuring. Over time, when SCL has been transformed to a full fledged property developer in the PRC within its best achievable capability, SCC will be able to capitalize a better value on SCL and realize its investment in SCL via the conversion of its holding of the Convertible Notes into SCL Shares at a known and reasonable price.

Currently, both of Mr. Ng and Mr. Ng Yuk Fung, Peter are common executive directors to SCC and SCL and the Vendors hold beneficial interests of approximately 68.45% in SCL. Upon completion of the Acquisition, SCC will become the controlling SCL Shareholder with approximately 68.47% interest in SCL. This has the advantage of rationalizing the group structure without the Vendors taking controlling interests in SCL with SCC assuming a position of a major creditor of SCL holding a right to convert the Convertible Notes into an approximately 95.47% interest in the enlarged issued share capital of SCL. The SCC Board also believes that the Acquisition also serves the purpose of streamlining the investment activities of SCC and SCL so that subsequent to the Completion, SCC will be involved in property investment and other activities and SCL will focus solely in property development activities in the PRC. This has the advantage of eliminating all likely business conflicts and competition between the companies and ensuring the most efficient application of financing means and management.

Under the Acquisition, Skychance shall issue the Promissory Note(s) with maturity of 18 months bearing interest of 2% p.a. payable at maturity to the Vendors upon Completion. The SCC Board acknowledges that the arrangement avails itself the position of a controlling SCL Shareholder with the least required immediate cash outflow. In a long term perspective, the SCC Board considers that it is in the interest of SCC and the SCC Shareholders to take the opportunity to extend its business exposure to the PRC property market through the Shenyang Project and projects in the other parts of the PRC through the listed vehicle, SCL. The SCC Board, therefore, proposed to the SCC Shareholders to consider the Acquisition from the Vendors.

The Board concurs with the view of the SCC Board.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF SCL

The shareholding structure of SCL as at the Latest Practicable Date and immediately following Completion is set out below:

	Shareholding as at the Latest Practicable Date		Shareholding immediately following the Completion	
	<i>SCL Shares</i>	<i>%</i>	<i>SCL Shares</i>	<i>%</i>
<i>The Vendors</i>				
Earntrade	62,661,600	12.37	—	—
Bannock	59,325,840	11.71	—	—
Fung Shing	99,012,563	19.55	—	—
Parkfield	101,422,000	20.02	—	—
Ronastar	4,166,400	0.83	—	—
Mr. Ng	<u>20,120,800</u>	<u>3.97</u>	<u>—</u>	<u>—</u>
Subtotal of the Vendors	346,709,203	68.45	—	—
Offeror (<i>note</i>)	<u>120,000</u>	<u>0.02</u>	<u>346,829,203</u>	<u>68.47</u>
Subtotal of the Offeror and the Vendors	346,829,203	68.47	346,829,203	68.47
<i>Other SCL Shareholders</i>				
Public SCL Shareholders	<u>159,669,141</u>	<u>31.53</u>	<u>159,669,141</u>	<u>31.53</u>
Total	<u><u>506,498,344</u></u>	<u><u>100.00</u></u>	<u><u>506,498,344</u></u>	<u><u>100.00</u></u>

Note: The Offeror is an indirect wholly-owned subsidiary of SCC. Accordingly, SCC will be beneficially interested in 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital immediately after Completion (assuming no new issue or repurchase of SCL Shares or conversion of the Convertible Notes until Completion).

THE OFFERS

As at the Latest Practicable Date, (i) the Offeror holds 120,000 SCL Shares, representing approximately 0.02% of the issued share capital of SCL; and (ii) the Offeror and the Vendors in aggregate hold 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital. The Offeror will own an aggregate of 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital immediately following Completion (assuming no new issue or repurchase of SCL Shares or conversion of the Convertible Notes until Completion). As the Offeror's shareholding in SCL is expected to, upon Completion, exceed the 30% threshold stipulated under

LETTER FROM THE BOARD

Rule 26.1 of the Takeovers Code, the Offeror will be required to make unconditional mandatory cash offers for (i) all of the then issued SCL Shares not already beneficially-owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) all outstanding Share Options not held by the Offeror and parties acting in concert with it. The Offers, if and when made, will be unconditional in all respects.

The Offeror will only incur an obligation to make the Offers upon Completion. The Completion is conditional upon the fulfillment of certain conditions precedent set out under the S&P Agreement. One of the conditions precedent is the approval of the Acquisition by the Shareholders and SCC Shareholders at the EGM and SCC EGM respectively. If Completion fails to take place pursuant to the terms of the S&P Agreement, the Offers will not be made.

Under the Acquisition, the Vendors (collectively being the controlling SCL Shareholders) are able to dispose their holding of Sale Shares at the price of HK\$0.28 per Sale Share. Although the ultimate control of SCL will not change as a result of the Acquisition and the Offers, to ensure all SCL Shareholders (including the Vendors) are being treated even-handedly as stipulated by general principle no. 1 of the Takeovers Code, the SCC Directors have resolved that the Offers should be made at the Share Offer Price of HK\$0.33 per SCL Share which is no less favorable than the disposal price of the Sale Shares by the Vendors under the Acquisition.

Principal terms of the Offers

Subject to Completion, Fubon Capital, on behalf of the Offeror, will make (i) the Share Offer to acquire all the issued SCL Shares not already beneficially-owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) the Option Offer to acquire all outstanding Share Options not held by the Offeror and parties acting in concert with it on the following basis:

For each SCL Share	HK\$0.3300
For each outstanding Share Option:	
– with an exercise price of HK\$0.2166 per SCL Share	HK\$0.1134
– with an exercise price of HK\$0.3100 per SCL Share	HK\$0.0200
– with an exercise price of HK\$0.3150 per SCL Share	HK\$0.0150

As at the Latest Practicable Date, SCL has 506,498,344 SCL Shares in issue and there are outstanding Convertible Notes held by the Offeror which, when fully exercised, can be converted into 10,666,666,666 SCL Shares. In addition, SCL also has granted 16,000,000 Share Options outstanding which, when fully exercised, can be converted into 16,000,000 SCL Shares. The outstanding Share Options are held by 5 individuals as to (i) 10,000,000 Share Options by 2 SCL Directors; and (ii) 6,000,000 Share Options by 3 other individuals. Save as disclosed above, SCL does not have other outstanding warrants, options, derivatives or securities convertible into SCL Shares in issue as at the Latest Practicable Date. Save for the issue of the Convertible Notes and the acquisition of 120,000 SCL Shares on 7 September 2007 by Skychance at a price of HK\$0.33 per SCL Share, Skychance or any of the parties acting in concert with it has not dealt in any SCL Shares or any other securities, including warrants, options or subscription rights in respect of any equity share capital of SCL during the six months prior to the Latest Practicable Date.

LETTER FROM THE BOARD

As the Convertible Notes are already held by the Offeror, no offer in respect of the convertible instruments issued by SCL will be made. In respect of the Option Offer, all of the Optionholders have individually undertaken to SCL and the Offeror that (i) he will not exercise the Share Options held by him to convert into SCL Shares until after the close of the Offers; and (ii) he has waived his rights to the Option Offer and accordingly will not accept the Option Offer. The Optionholders will hold the Share Options following the close of the Offers and the Share Options will remain exercisable in accordance to the terms of SCL's share option scheme adopted on 24 June 2002.

Comparisons of value

The Share Offer Price of HK\$0.33 per SCL Share is approximately 17.86% higher than the consideration per Sale Share of HK\$0.28. The Share Offer Price represents:

- (i) a discount of approximately 29.03% to the closing price of HK\$0.465 per SCL Share as quoted on the Stock Exchange on 26 October 2007 (being the last trading date immediately prior to the signing of the S&P Agreement);
- (ii) a discount of approximately 25.51% to the average closing price of HK\$0.443 per SCL Share as quoted on the Stock Exchange during the ten trading days up to and including 26 October 2007 (being the last trading date immediately prior to the signing of the S&P Agreement);
- (iii) a discount of approximately 12.74% to the average closing price of HK\$0.378 per SCL Share as quoted on the Stock Exchange during the thirty trading days up to and including 26 October 2007 (being the last trading date immediately prior to the signing of the S&P Agreement);
- (iv) a discount of approximately 52.86% to the closing price of HK\$0.70 per SCL Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 112.90% to the unaudited consolidated net tangible asset per SCL Share of approximately HK\$0.155 as at 30 June 2007.

Highest and lowest SCL Share prices

During the six-month period preceding the Latest Practicable Date, the highest and lowest daily closing prices of the SCL Shares as quoted on the Stock Exchange were HK\$0.70 on the Latest Practicable Date and HK\$0.30 on 5 and 6 September 2007 respectively.

LETTER FROM THE BOARD

Total consideration

As at the Latest Practicable Date, there are 506,498,344 SCL Shares in issue. At the Share Offer Price of HK\$0.33 per SCL Share, the entire issued share capital of SCL would be valued at around HK\$167.14 million. As at the Latest Practicable Date, there are 16,000,000 Share Options outstanding which, when fully exercised, can be converted into 16,000,000 SCL Shares. Based on 175,669,141 SCL Shares (comprising 159,669,141 SCL Shares in issue and 16,000,000 SCL Shares that can be issued pursuant to the full exercise of all of the outstanding Share Options) subject to the Share Offer, the Share Offer would be valued at approximately HK\$57.97 million. Based on 16,000,000 outstanding Share Options (of which 11,000,000 Share Options with an exercise price of HK\$0.2166 per SCL Share, 2,000,000 Share Options with an exercise price of HK\$0.3100 per SCL Share and 3,000,000 Share Options with an exercise price of HK\$0.3150 per SCL Share) and their respective Option Offer Price of HK\$0.1134, HK\$0.020 and HK\$0.015 per Share Option, the total consideration payable under the Option Offer for all of the outstanding Share Options held by the Optionholders is approximately HK\$1.34 million. As stated above, all of the Optionholders have waived their rights to the Option Offer and accordingly will not accept the Option Offer.

The Offeror will finance the Offers with bank facilities. Fubon Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offers.

MAINTAINING THE LISTING STATUS OF SCL

The Offeror intends SCL to remain listed on the Stock Exchange. SCC will undertake to the Stock Exchange to take appropriate steps to ensure that the prescribed minimum percentage of SCL Shares would be held in the public hands.

INFORMATION ON SCL

SCL is an investment holding company listed on the GEM. The SCL Group is principally engaged in publication and marketing of monthly Chinese financial and economic magazines, namely “Capital”, “Capital CEO” and “Capital Entrepreneur” as well as property development in the PRC.

The audited consolidated net asset value for SCL as at 31 December 2006 was approximately HK\$996,000 and the unaudited consolidated net asset value for SCL as at 30 June 2007 was approximately HK\$385,980,000. SCL had a profit before and after income tax of approximately HK\$153,000 and a loss of approximately HK\$1,950,000 attributable to the SCL Shareholders for the years ended 31 December 2006 and 2005 respectively. As SCC and the Company will effectively hold indirect interests in SCL of approximately 68.47% and 51.21% respectively upon Completion, it is expected that SCL will be classified as a subsidiary of SCC and the Company following Completion. The SCL Shares held by the Vendors were distributed by the Company by way of dividend in specie on 25 February 2002. Accordingly there is no original purchase cost to the SCL Shares held by the Vendors.

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR

The Offeror, a company incorporated in the British Virgin Islands on 3 May 2005, is currently holding 120,000 SCL Shares (representing 0.02% of the total issued share capital of SCL) and also the holder of the Convertible Notes with aggregate face value of HK\$800 million. The full exercise of the conversion rights attached to the Convertible Notes by the Offeror would enable the Offeror to become the single largest SCL Shareholder with an approximately 95.47% interest in the issued share capital of SCL as enlarged by the issue of SCL Shares upon conversion.

INFORMATION ON SCC

The Offeror is wholly-owned by SCC which is an investment holding company listed on the Main Board. The SCC Group is 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 Latest Practicable Date, the Company beneficially holds approximately 74.79% of the issued share capital of SCC.

INFORMATION ON THE COMPANY

The Company is an investment holding company listed on the Main Board. 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.

INTENTION OF THE OFFEROR WITH SCL

The Offeror intends that SCL Group will continue its existing businesses in publication and marketing of monthly Chinese financial and economic magazines and property development in the PRC and will maintain the listing status of SCL on the GEM. The Offeror has no intention to dispose of or re-deploy the assets of the SCL Group following Completion. The Offeror intends that there will not be any material changes in the management or employees of the SCL Group as a result of the Offers.

EFFECT OF THE TRANSACTION ON EARNINGS, ASSETS AND LIABILITIES

Upon Completion, SCL will become a subsidiary of the Company and its results will be consolidated in the consolidated financial statement of the Company. The profit of the Enlarged Group is expected to reduce slightly due to the inclusion of interest accrued and imputed interest on the Promissory Note(s). Had the Acquisition been completed on 30 June 2007, the total assets of the Enlarged Group will decrease due to the reversal of the fair value adjustment on the valuation of construction in progress and goodwill. The total liabilities of the Enlarged Group will also increase due to the consolidation of the SCL Group and the issuance of the Promissory Note(s). The above estimations are for illustrative purposes only, and may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

LETTER FROM THE BOARD

GENERAL

As at the Latest Practicable Date, the Vendors are in aggregate interested in 1,344,181,812 Shares, representing approximately 73.72% of the Company's issued share capital. The Company, through its wholly-owned subsidiaries, holds approximately 74.79% interest in SCC. By virtue of the deemed interest in the Company, the Vendors are deemed to be interested in approximately 74.79% interest in SCC. Each of Earntrade, Bannock, Fung Shing, Parkfield and Ronastar is an investment holding company controlled by Mr. Ng and Mr. Ng is a director of the Company, hence each of the Vendors is considered a Connected Person of the Company. Accordingly, the entering into of the S&P Agreement by Skychance constitutes a connected transaction of the Company. As the applicable percentage ratios in respect of the Acquisition and in aggregating the previous connected transaction disclosed in the joint announcement of the Company and SCC dated 4 July 2007 represent more than 5% but less than 25%, the Acquisition is classified as a discloseable and connected transaction under the Listing Rules for the Company and is subject to the approval of the Independent Shareholders by way of poll at the EGM. As the Vendors are materially interested in the Acquisition and are entitled to exercise control over the voting right in respect of the Shares, the Vendors and their respective associates, which hold 1,344,181,812 Shares representing approximately 73.72% of the Company's issued capital, shall abstain from voting for the resolution in connection with the Acquisition which are to be proposed at the EGM.

The EGM will be held to consider, and if thought fit, passing the resolution to approve the Acquisition. The Independent Board Committee comprising of Mr. David John Blackett and Mr. Cheng Hong Kei will make recommendations to the Independent Shareholders in relation to the Acquisition. Mrs. Tse Wong Siu Yin, Elizabeth, who is an independent non-executive Director of both the Company and SCC, is required to abstain from acting as a member of the Independent Board Committee. Hercules Capital was appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition.

The Shareholders should note that the S&P Agreement is conditional upon the fulfillment of certain conditions. The Shareholders and the potential investors are therefore advised to exercise caution in dealing in the securities of the Company.

RECOMMENDATION

Set out on pages 68 to 69 of this circular is a notice convening the EGM which will be held at 28/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 4 December 2007 at 10:30 a.m. in which an ordinary resolution will be proposed to approve the Acquisition. The Directors consider that the terms of the S&P Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed in the EGM to approve the Acquisition.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By the order of the Board
Cheung Choi Ngor
Director



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

16 November 2007

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

Dear Sir or Madam,

**Discloseable and Connected Transaction in respect of
Acquisition of Interest in
South China Land Limited 南華置地有限公司**

As members of the Independent Board Committee, we have been appointed to advise you in connection with the terms of the S&P Agreement, details of which are set out in the letter from the Board contained in this circular to the Shareholders dated 16 November 2007, of which this letter forms part. Terms defined in this circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the S&P Agreement and the advice of Hercules Capital in relation thereto as set out on pages 21 to 46 of this circular, we are of the opinion that the terms of the S&P Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the resolution to be proposed in the EGM to approve the Acquisition.

Yours faithfully,

For and on behalf of the

Independent Board Committee

David John Blackett

Cheng Hong Kei

LETTER FROM HERCULES CAPITAL

The following is the text of a letter of advice in connection with the Acquisition and the Offers from Hercules Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

16 November 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN
RESPECT OF ACQUISITION OF THE INTEREST IN
SOUTH CHINA LAND LIMITED 南華置地有限公司 AND
POSSIBLE UNCONDITIONAL MANDATORY CASH OFFERS TO
ACQUIRE ALL THE ISSUED SHARES AND OUTSTANDING SHARE OPTIONS OF
SOUTH CHINA LAND LIMITED 南華置地有限公司 (OTHER THAN THOSE ALREADY
OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND
PARTIES ACTING IN CONCERT WITH IT)**

1 INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the Acquisition and the Offers, details of which are set out in the letter from the Board contained in the circular dated 16 November 2007 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context requires otherwise.

On 26 October 2007, Skychance, an indirect subsidiary of the Company, and the Vendors entered into the S&P Agreement, pursuant to which, Skychance has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Sale Shares, representing approximately 68.45% of the issued share capital of SCL, at an aggregate consideration of HK\$97,078,576.84 (equivalent to HK\$0.28 per Sale Share).

LETTER FROM HERCULES CAPITAL

Since the relevant percentage ratios defined in Rule 14.07 of the Listing Rules in respect of the Acquisition and in aggregating the previous connected transaction disclosed in the joint announcement of the Company and SCC dated 4 July 2007 represent more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. As at the Latest Practicable Date, the Vendors were in aggregate interested in 1,344,181,812 Shares, representing approximately 73.72% of the issued share capital of the Company. Each of Earntrade, Bannock, Fung Shing, Parkfield and Ronastar, the constituents of the Vendors, is controlled by Mr. Ng and Mr. Ng is a director of the Company, hence each of the Vendors is considered a Connected Person of the Company. Accordingly, the entering into of the S&P Agreement by Skychance also constitutes a connected transaction for the Company under the Listing Rules. The Acquisition is therefore subject to approval by the Independent Shareholders, by way of poll, at the EGM. Mr. Ng and his associates shall abstain from voting at the EGM.

Immediately following the Completion, the Offeror and parties acting in concert with it will become interested in 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital (assuming no new issue or repurchase of SCL Shares or conversion of the Convertible Notes until Completion). As the Offeror's shareholding in SCL is expected to, upon Completion, exceed the 30% threshold stipulated under Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory cash offers for (i) all of the then issued SCL Shares not already beneficially-owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) all outstanding Share Options not held by the Offeror and parties acting in concert with it.

The Independent Board Committee, comprising two independent non-executive Directors, namely Mr. David John Blackett and Mr. Cheng Hong Kei, has been established to consider the transactions contemplated under the S&P Agreement and to advise the Independent Shareholders on the fairness and reasonableness of the Acquisition and the Offers. Mrs. Tse Wong Siu Yin, Elizabeth, who is an independent non-executive director of both the Company and SCC, is considered to be interested in the Acquisition and therefore is considered not suitable to be a member of the Independent Board Committee. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the Offers pursuant to Rule 2.4 of the Takeovers Code, in particular as to whether the terms of the S&P Agreement and the Offers are fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole.

2 BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Circular, the S&P Agreement, financial statements of the Company, SCC Group and SCL Group, and other relevant information provided to us by the Company. We have assumed that such information and statements and any representation made to us are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue to be so at the date of the EGM, and that they may be relied upon in formulating our opinion. The Directors have

jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We also consider that we have taken all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Company. Our opinion is necessarily based on financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

3 THE ACQUISITION

3.1 Principal Factors and Reasons Considered

In arriving at our opinion regarding the terms of the Acquisition, we have considered the following principal factors and reasons:

3.1.1 Background and Reasons for the Acquisition

Before the group restructuring carried out in early 2007, SCC Group was originally engaged in (i) trading and manufacturing of toys, compressors, shoes, leather products, motors, machinery, capacitors and clothing; (ii) property investment and development; (iii) travel business; (iv) information technology; (v) agriculture and woods businesses; and (vi) investment holding.

In 2007, SCC Group has undergone a series of restructuring activities with the objectives of streamlining the operations of SCC Group and delineating the group structure. SCC Directors believe that the streamlined business may increase SCC Group's operational efficiency and a delineated group structure may help SCC Shareholders and potential investors better understand the business of SCC Group. As part of the restructuring exercise, SCC Group disposed of its businesses of property development to SCL Group in March and July 2007. As a result of the Disposals, SCC Group has become the major creditor of SCL through its holding of the Convertible Notes with aggregate face value of HK\$800 million. At the same time, SCC has undertaken to provide a guarantee in connection with a loan facility of up to HK\$500 million to be borrowed by SCL Group.

LETTER FROM HERCULES CAPITAL

The Board is optimistic about the future development of the Shenyang Project, a property development project in Shenyang which is now held by SCL Group after the completion of the Disposals (further details and the prospect of the Shenyang Project are set out on pages 26 to 28 of the Circular), and considers that the Group may be able to capitalize on the value and upside potential when the Shenyang Project is completed if SCC Group becomes a controlling shareholder in SCL. Furthermore, given a guarantee was provided by SCC to secure the due and punctual performance of the full obligation of SCL Group under the proposed loan facility, the Board considers that it is in the interest of the Group to secure a rightful control in SCL through SCC Group.

As an alternative to the acquisition of the Sale Shares from the Vendors, the SCC Board has considered to exercise the conversion rights attached to the Convertible Notes. The full exercise of the conversion rights attached to the Convertible Notes by SCC Group would enable SCC Group to become the single largest shareholder of SCL with an approximately 95.47% interest in the issued share capital of SCL as enlarged by the issue of SCL Shares upon conversion. However, as the terms of the Convertible Notes have restricted the noteholder(s) from exercising the conversion rights if the public float falls below 25% immediately after such conversion, SCC Group can only convert up to a maximum of 20.70% equity interest as enlarged by the issue of the SCL Shares upon conversion of the Convertible Notes. Therefore, SCC Group will not be able to secure a controlling interest in SCL by such approach.

On the other hand, through the Acquisition, SCC Group can secure a controlling stake in SCL by acquiring 68.45% equity interest in SCL directly from the Vendors. Although a minimum public float of 25% must be maintained after the Offers, it is expected that SCC Group will be able to maintain a controlling stake of not less than 68.47% in SCL after the Offers.

Given that (i) the acquisition of a controlling stake in SCL shall enable SCC Group to have a direct control on SCL, through which SCC Group and thus the Group can better manage their risk exposure in relation to the guarantee given to SCL; (ii) SCC as well as the Company can consolidate the results of SCL Group into their accounts after getting the controlling stake in SCL; (iii) the Company, being the parent company of SCC, will be able to capitalize on the value and upside potential of the Shenyang Project through the shareholding of SCC in SCL; (iv) the Acquisition is currently the most feasible approach for SCC Group to obtain controlling interest in SCL; and (v) the Acquisition can eliminate all likely business conflicts and competition between SCC Group and SCL Group by streamlining their investment activities so that SCL Group will focus solely on property development in the PRC while SCC Group will be involved principally in property investment and other business activities, we concur with the Directors that the Acquisition is in the interest of the Company and its Shareholders as a whole.

LETTER FROM HERCULES CAPITAL

3.1.2 Information on SCL Group

SCL Group is principally engaged in magazine publication and property investment and development, and the SCL Shares are listed on GEM.

The consolidated financial information of SCL Group for the recent financial periods is summarized as follows:

	For the nine months ended 30 September		For the six months ended 30 June		For the year ended 31 December	
	2007	2006	2007	2006	2006	2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Turnover	<u>19,781</u>	<u>17,094</u>	<u>13,753</u>	<u>12,310</u>	<u>23,912</u>	<u>25,140</u>
Profit/(loss) before taxation	<u>(350)</u>	<u>(728)</u>	<u>20</u>	<u>(203)</u>	<u>153</u>	<u>(1,950)</u>
Profit/(loss) after taxation attributable to shareholders of SCL	<u>(350)</u>	<u>(728)</u>	<u>20</u>	<u>(203)</u>	<u>153</u>	<u>(1,950)</u>
					As at	
			As at 30 June		31 December	
			2007		2006	2005
			(unaudited)		(audited)	(audited)
			(HK\$'000)		(HK\$'000)	(HK\$'000)
Total assets			<u>899,538</u>		<u>8,311</u>	<u>9,132</u>
Total liabilities			<u>(513,558)</u>		<u>(7,315)</u>	<u>(8,289)</u>
Net assets attributable to shareholders of SCL			<u>78,620</u>		<u>996</u>	<u>843</u>

LETTER FROM HERCULES CAPITAL

For the two years ended 31 December 2006, SCL Group focused solely on the business of publication and marketing of monthly Chinese financial and economic magazines, namely “Capital”, “Capital CEO” and “Capital Entrepreneur”. Therefore, all revenue and results of SCL Group were contributed by the publication business.

For the year ended 31 December 2006, the turnover of SCL Group decreased by 5% to approximately HK\$23.9 million as compared to the previous corresponding period. A slight decrease in turnover was recorded as many advertisers shifted its marketing promotions to media of World Cup during the World Cup event. Despite the reduction in turnover, SCL Group recorded a profit in the financial year ended 31 December 2006 as a result of the savings in operating costs.

In April 2007, SCL signed a relocation and redevelopment agreement with the Government of Tianjin-Bohai Coastal Economic Development Area for a site area of 400,000 square meters and expected saleable floor area of 1,000,000 square meters. As the development project is at an early development stage during the six months ended 30 June 2007, the turnover and results of SCL Group for the said period were mainly attributable to the publication business.

For the six months ended 30 June 2007, the turnover of SCL Group increased from HK\$12.3 million to approximately HK\$13.8 million, representing a growth of more than 12% when compared with the previous corresponding period. The increase in turnover in 2007 was mainly attributable to the increased number of client events hosted by SCL Group during the period. SCL Group’s performance has also improved significantly from a loss of approximately HK\$203,000 for the six months ended 30 June 2006 to a profit of approximately HK\$20,000 for the six months ended 30 June 2007. With the buoyant financial market, management of SCL Group expects a rising demand in advertising in financial magazines and believes that SCL Group, which has titles in three distinct market segments, is in a good position to exploit the opportunities.

In July 2007, SCL Group completed the acquisition of Praise Rich Limited, which is mainly engaged in property investment and development in the PRC and currently owns the Shenyang Project. The property (the “Property”) of the Shenyang Project is located at the western side of Zhaoyang Street, Shenhe District, Shenyang, the PRC and it is about 20-30 meters away from Zhong Jie, one of the two major commercial areas in Shenyang City. It has a total site area of approximately 22,000 square meters. The Property has good accessibility as it is located close to the proposed Zhong Jie metro station and there are bus stations just opposite to the Property. SCL Group has planned to develop a 7-storey shopping mall with a total gross floor area of around 120,000 sq.m. at the Property. As the historical Shenyang Imperial Palace is located behind the mall, the design of the mall incorporates a theme of the past moving into the future with a more traditional looking design at the back which gradually transforms into a more futuristic design at the facade. The Directors believe that the mall will become an iconic structure for the Zhong Jie pedestrian shopping area. The foundation work of the mall has been started and the whole project is expected to complete by middle of 2009.

During the third quarter of 2007, SCL Group also actively participated in the land development projects in the new Bohai Coastal Economic Development Area of Hebei. SCL Group has acquired approximately 400,000 square meters of land at the centre of towns that have been designated as part of the Economic Development Area by relocation of the existing tenants. The relocation project in Zhongjie District (中捷區) has attained sufficient relocation agreements with existing tenants to begin Phase 1 development and SCL Directors expect to pre-sell the property in 2008. SCL Group expects the demand for industrial and related supporting land uses in the port area will be even higher after the official establishment of the Economic Development Area, and has planned to increase its investment in such area.

As the development projects are still at the development stage during the three months ended 30 September 2007, the turnover and results of SCL Group for the said period were mainly attributable to the publication business. For the nine months ended 30 September 2007, the turnover of SCL Group increased by approximately 16% to HK\$19.8 million as compared to last corresponding period. The loss attributable to SCL shareholders also improved from HK\$728,000 in last corresponding period to HK\$350,000 for the nine months ended 30 September 2007.

According to the statistics reported by Shenyang Statistical Information Net, Shenyang has continued to grow rapidly with a half-year GDP of RMB144 billion for the six months ended 30 June 2007, representing a growth of approximately 17.3% as compared to the previous corresponding period. The report also showed that there was a strong growth in per capita disposable income of urban households in Shenyang in the first half of 2007. The per capita disposable income of urban households in Shenyang for the six months ended 30 June 2007 increased by 22% to RMB6,826 as compared to the previous corresponding period.

For the eight months ended 31 August 2007, the total gross floor area of properties sold in Shenyang increased by 27.9% to approximately 7.6 million square meters and the total revenue of properties sold in Shenyang during the said period has increased by 33.6% to RMB27.45 billion. Furthermore, with the recently announced city plan for combining the Shenyang City with Fushun, it is expected that the population of Shenyang City will further increase from approximately 7 million to approximately 9.5 million by end of 2010. The Directors believe that the continuous growth in economy and the increases in population and disposable income of the residents in Shenyang will underpin the future development of the property market in Shenyang. With the expected strong growth in consumer demand within the area, many worldwide brand names will either establish its flagship stores or set up additional stores in Shenyang in the coming future. This will create a high demand for superb retail space in prime location. At present, there are only a limited number of shopping malls in the vicinity targeted towards the upper end of the consumer market. Therefore, most of the premier shopping malls in the area are almost fully occupied and the supply of retail space for such worldwide brand names is limited. The Directors are confident that the Shenyang Project will be well received by the retailers and they are optimistic towards the development of the Shenyang Project.

SCL Group is also in the process of obtaining two additional pieces of land in the prime location of Shenyang. The targeted land has a total site area of 65,000 square meters with a buildable gross floor area of approximately 520,000 square meters for commercial development. In addition, SCL Group has identified potential development projects of a significant scale in areas of Chongqing, Wuhan, Xian, Nanjing and Tianjin. Feasibility studies and negotiation of terms are in progress. In view of the great market potential in China, real estate development shall continue to be the business development focus of SCL Group. In the absence of any unforeseen adverse factors which may negatively impact the property market in China, we concur with the view of the Directors that the real estate development industry in Shenyang City and other major cities in China shall maintain a steady growth as long as the economic growth in China is sustained.

3.1.3 Consideration of the Acquisition

The aggregate consideration for the Sale Shares is HK\$97,078,576.84 (equivalent to HK\$0.28 per Sale Share), which shall be satisfied by the issue of the Promissory Note(s) by Skychance upon Completion. The consideration per Sale Share of HK\$0.28 represents:

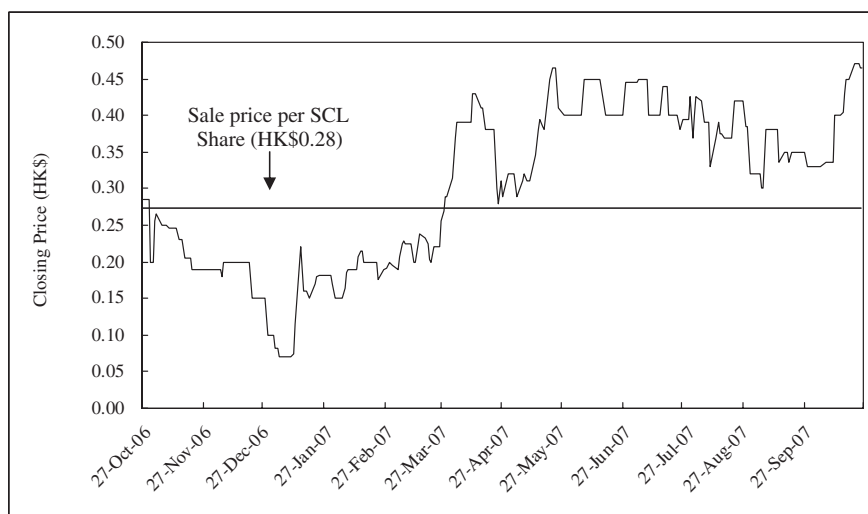
- (i) a discount of approximately 39.78% to the closing price of HK\$0.465 per SCL Share as quoted on the Stock Exchange on 26 October 2007 (being the last trading day immediately prior to the signing of the S&P Agreement) (the “Last Trading Day”);
- (ii) a discount of approximately 40.17% to the average closing price of HK\$0.468 per SCL Share as quoted on the Stock Exchange during the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 36.79% to the average closing price of HK\$0.443 per SCL Share as quoted on the Stock Exchange during the ten trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 27.84% to the average closing price of HK\$0.388 per SCL Share as quoted on the Stock Exchange during the period from 27 April 2007 (being six months immediately before the Last Trading Day) to the Last Trading Day;
- (v) a discount of approximately 7.89% to the average closing price of HK\$0.304 per SCL Share as quoted on the Stock Exchange during the period from 27 October 2006 (being one year immediately before the Last Trading Day) to the Last Trading Day; and
- (vi) a discount of approximately 60.00% to the closing price of HK\$0.700 per SCL Share as quoted on the Stock Exchange as at the Latest Practicable Date.

LETTER FROM HERCULES CAPITAL

According to the Directors, the consideration was arrived at after arm's length negotiations between Skychance and the Vendors with reference to (i) the unaudited consolidated net asset value attributable to equity holders of SCL as at 30 June 2007 of HK\$0.155 per SCL Share; (ii) the recent market price of the SCL Shares as quoted on the Stock Exchange; and (iii) the future business prospects of SCL.

In order to assess the fairness and reasonableness of the consideration for the Acquisition, we have reviewed the movements in trading price of the SCL Shares during the period from 27 October 2006 to 26 October 2007, representing the whole year period immediately preceding the Last Trading Day (the "Review Period").

Chart 1 – Closing prices of the SCL Shares during the Review Period



Source: Thomson ONE Banker

As illustrated in the above chart, the closing price of SCL Shares dropped from HK\$0.29 on 27 October 2006 to HK\$0.07 on 10 January 2007, the last trading day before the publication of SCL's announcement regarding the entering into of an amended agreement by SCL Group for amending the terms of agreement for the acquisition of 51% equity interest in Praise Rich Limited. The SCL Directors believe that the plunge in trading price of the SCL Shares was mainly caused by the prolonged delay in completion of the acquisition. Subsequent to the publication of the aforementioned announcement, the trading price of the SCL Shares rallied and fluctuated between the range of HK\$0.15 and HK\$0.23 during 11 January 2007 and 12 March 2007, the date on which completion of the acquisition of 51% equity interest in Praise Rich Limited took place. Since then, the trading price of the SCL Shares increased steadily to HK\$0.43 on 12 April 2007. After that, the trading price of the SCL Shares decreased gradually from HK\$0.43 to HK\$0.29 on 27 April 2007, the last trading day before the entering into of the agreement for the acquisition of further 49% equity interest in Praise Rich Limited. After the publication

LETTER FROM HERCULES CAPITAL

of the announcement regarding the acquisition of 49% equity interest in Praise Rich Limited, the closing price of the SCL Shares went up again and reached the highest level of HK\$0.47 on 22 May 2007. Although there are no conclusive reasons for explaining the abovementioned movements in share price of SCL, we consider that the surge in the market price of the SCL Shares to a certain extent reflected the market's expectation on the benefits of the acquisition of Praise Rich Limited by SCL Group.

Subsequently, the trading price of the SCL Shares gradually reduced to HK\$0.30 on 5 September 2007. Since then, the closing price of the SCL Shares rose in line with the Hang Seng Index and reached the top of HK\$0.47 again on 22 October 2007, and remained stable at that level until the Last Trading Day.

We have also reviewed the historical trading volume of the SCL Shares during the Review Period. The average daily trading volume of the SCL Shares, the percentages of daily trading volume of the SCL Shares as compared to the total number of issued SCL Shares and the SCL Shares held by the public during the Review Period are shown in Table 1 below.

Table 1 – Historical average daily trading volume of the SCL Shares

Month	Average daily trading volume	% of average daily trading volume to the total number of issued SCL Shares (Note 1)	% of average daily trading volume to the total number of SCL Shares in public hands (Note 2)
2006			
October (Note 3)	2,124,750	0.4195%	1.3307%
November	549,782	0.1085%	0.3443%
December	36,211	0.0071%	0.0227%
2007			
January	427,818	0.0845%	0.2679%
February	131,111	0.0259%	0.0821%
March	257,548	0.0508%	0.1613%
April	187,947	0.0371%	0.1177%
May	218,429	0.0431%	0.1368%
June	40,200	0.0079%	0.0252%
July	102,848	0.0203%	0.0644%
August	114,783	0.0227%	0.0719%
September	43,368	0.0086%	0.0272%
October (Note 4)	67,889	0.0134%	0.0425%

Source: The website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM HERCULES CAPITAL

Notes:

1. Based on 506,498,344 SCL Shares in issue as at the Last Trading Day.
2. Based on 159,669,141 SCL Shares held in public hands as at the Last Trading Day.
3. Represents trading volume for the period from 27 October 2006 to 31 October 2006.
4. Represents trading volume for the period from 1 October 2007 to 26 October 2007.
5. Trading of SCL Shares was suspended on 9 January 2007 and 10 January 2007.

Table 1 demonstrates that during the period from October 2006 to October 2007, the average daily trading volume of the SCL Shares was in the range of approximately 0.0071% to 0.4195% as to the total number of issued SCL Shares as at the Last Trading Day and approximately 0.0227% to 1.3307% as to the total number of SCL Shares held in public hands as at the Last Trading Day. During the 245 trading days in the relevant period, 95 days had no trading in the SCL Shares, representing approximately 38.8% of the total trading days of the SCL Shares in the relevant period. The above statistics proved that the liquidity of the SCL Shares was very low. Therefore, we believe that SCC Group may have difficulties in acquiring a substantial interest in SCL from the independent shareholders of SCL in the open market.

In forming our opinion on the consideration for the Acquisition, we have also considered the following comparable approaches, namely price-to-earnings approach, dividends approach and net assets approach, which are commonly adopted in evaluation of a company.

Price-to-earnings Approach

As the Shenyang Project, one of the core businesses of SCL Group, was acquired by SCL Group after 31 December 2006, the earning potential of the Shenyang Project has not been reflected in the results of SCL Group for the year ended 31 December 2006, being the latest financial year of SCL Group. As such, we consider that the price-to-earnings approach is not applicable for assessing the value of SCL Group.

Dividends Approach

SCL did not declare any dividend to its shareholders during the three years ended 31 December 2006 and six months ended 30 June 2007. As such, there is no basis to assess the consideration of the Sale Shares based on historical dividend yield of SCL, and the dividends approach would not be applicable.

LETTER FROM HERCULES CAPITAL

Net Assets Approach

Based on the unaudited management accounts of SCL Group, the consolidated net asset value attributable to equity holders of SCL as at 30 June 2007 amounted to approximately HK\$0.155 per SCL Share. Accordingly, the price-to-book ratio (PBR) of SCL Group implied by the consideration of HK\$0.28 is approximately 1.81 times.

As we were unable to find listed companies that engage in both publication and property investment and development businesses for comparison purposes, we have considered all the companies which (a) are currently listed on GEM or Main Board; (b) are principally engaged in property investment and development and/or publication; and (c) had a market capitalization in the range of HK\$100 million and HK\$400 million as at the Latest Practicable Date. On this basis and to our best knowledge, we have identified 6 comparable companies (the “Comparables”) and set out in Table 2 below a comparison of the valuation statistics of SCL implied by the consideration with the market valuations at which the Comparables are currently trading.

Table 2: Trading multiples of the Comparables

Company Name (Stock code)	Principal Business Activities	Market capitalization as at the Latest Practicable Date (HK\$' million)	PBR (times)
Berjaya Holdings (HK) Limited (288)	Property investment, development and investment holding	301.43	11.31
China Fair Land Holdings Limited (169)	Property development in the PRC	168.91	0.64
Mexan Limited (22)	Property investment, hotel operation, investment holding and toll road projects	306.76	0.26
One Media Group Limited (426)	Publication, marketing and distribution of Chinese-language lifestyle magazines and sale of advertising space in those magazines	204.00	1.40

LETTER FROM HERCULES CAPITAL

Company Name (Stock code)	Principal Business Activities	Market capitalization as at the Latest Practicable Date (HK\$' million)	PBR (times)
Wah Ha Realty Company Limited (278)	Sale of properties, rental, construction, property management and investment	302.40	0.51
Zhong Hua International Holdings Limited (1064)	Property development and investment, and leasing of equipment	329.48	0.72
Average			2.47
Minimum			0.26
Maximum			11.31
Consideration of SCL Share under the Acquisition			1.81

Source: the website of the Stock Exchange (www.hkex.com.hk)

As shown in Table 2, the PBR of the Comparables ranged from approximately 0.26 times to 11.31 times, with an average of approximately 2.47 times. The PBR implied by the consideration per Sale Share of HK\$0.28 is 1.81 times, which is within the range of the PBR of the Comparables and lower than the average of the Comparables of 2.47 times. As at 30 June 2007, SCL Group has acquired only 51% of the equity interest in Praise Rich Limited. Therefore, the consolidated net asset value of SCL Group as at 30 June 2007 has not reflected the full value of Praise Rich Limited. If such value is fully reflected in the consolidated net asset value of SCL Group, the net asset value per Share of SCL shall be higher than HK\$0.155 and thus the PBR implied by the consideration per Sale Share will be lower than 1.81 times.

LETTER FROM HERCULES CAPITAL

Having considered that:–

- (a) the consideration per Sale Share of HK\$0.28 represents a significant discount to all the reference market prices of the SCL Shares within the year immediately preceding the Last Trading Day (details of which are set out on page 28 of the Circular);
- (b) the PBR implied by the consideration of the Sale Shares falls within the market range of the Comparables and is lower than the average of the Comparables; and
- (c) it is a normal market practice for the vendor to charge a premium for disposals of the controlling stake in a company,

we consider that the consideration for the Sale Shares is fair and reasonable to the Company and the Independent Shareholders as a whole and on normal commercial terms.

3.1.4 Terms of the Promissory Notes

The principal terms of the Promissory Notes to be issued to the Vendors is summarized as follows:

Issuer:	Skychance
Principal amount:	HK\$97,078,576.84
Maturity:	the day falling 18 months from the date of issue of the Promissory Notes
Interest rate:	the Promissory Notes shall bear interest of 2% p.a. payable at maturity
Redemption:	unless previously redeemed or cancelled in accordance with the terms of the Promissory Notes, Skychance is required to redeem the outstanding principal amount of the Promissory Notes upon the maturity

As at the Latest Practicable Date, the prime lending rate and HIBOR for 12 months in Hong Kong as quoted from Hang Seng Bank are 7.0% and 3.75% respectively. Therefore, we are of the opinion that the interest rate of the Promissory Notes is set at a level in the interest of the Company and the Shareholders as a whole. We have also reviewed other terms of the Promissory Notes and noted that they are in normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3.1.5 Financial effects of the Acquisition

3.1.5.1 Earnings

As SCL will become a subsidiary of the Company after Completion, the results of SCL Group will be consolidated into the accounts of the Company.

3.1.5.2 Cashflow

As the consideration for the Acquisition will be satisfied by the issue of the Promissory Notes upon Completion, there will be no immediate effects on the consolidated cashflow of the Company until the maturity of the Promissory Notes, which will be the day falling 18 months from the date of issue of the Promissory Notes. Upon maturity of the Promissory Notes, SCC Group shall have a cash outflow of approximately HK\$97.1 million.

3.1.5.3 Net Asset Value

The net asset value of the Enlarged Group would decrease had the Acquisition completed on 30 June 2007.

3.1.5.4 Gearing

Upon Completion, the gearing of the Group, as expressed in the ratio of total liabilities to total assets, would have been increased.

Concluding from the above, the Acquisition will have a slightly negative financial effect on the Group. Having considered the aforementioned overall benefits which the Acquisition would likely to bring to the Group, we consider that the slightly negative financial impact of the Acquisition is justifiable.

3.2 Recommendation for the Acquisition

Having considered the principal factors and reasons stated above, we are of the view that the entering into of the Acquisition is in the interests of the Company and its Shareholders as a whole. We also consider that the terms of the S&P Agreement are in normal commercial terms and they are fair and reasonable so far as the Independent Shareholders are concerned.

4 THE OFFERS**4.1 Principal Factors and Reasons Considered**

In arriving at our opinion regarding the terms of the Offers, we have considered the following principal factors and reasons:

4.1.1 Background to and terms of the Offers

As at the Latest Practicable Date, Skychance held 120,000 SCL Shares, representing approximately 0.02% of the issued share capital of SCL. When aggregated with parties acting in concert with the Vendors, the Offeror and parties acting in concert with it would hold 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital as at the Latest Practicable Date. Upon Completion, the Offeror will own an aggregate of 346,829,203 SCL Shares, representing approximately 68.47% of SCL's issued share capital immediately following Completion (assuming no new issue or repurchase of SCL Shares or conversion of the Convertible Notes until Completion). As the Offeror's shareholding in SCL is expected to, upon Completion, exceed the 30% threshold stipulated under Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory cash offers (i) for all of the then issued SCL Shares not already beneficially-owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) for all outstanding Share Options not held by the Offeror and parties acting in concert with it.

Accordingly, subject to Completion, Fubon Capital will make, on behalf of the Offeror, (i) the Share Offer to acquire all the issued shares not already beneficially-owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) the Option Offer to acquire all outstanding Share Options not held by the Offeror and parties acting in concert with it on the following basis:

For each SCL Share	HK\$0.3300
For each outstanding Share Option:	
– with an exercise price of HK\$0.2166 per SCL Share	HK\$0.1134
– with an exercise price of HK\$0.3100 per SCL Share	HK\$0.0200
– with an exercise price of HK\$0.3150 per SCL Share	HK\$0.0150

The Offers, if and when made, will be unconditional in all respects. As at the Latest Practicable Date, SCL had 506,498,344 SCL Shares in issue and there were outstanding Convertible Notes held by the Offeror which, when fully exercised, are convertible into 10,666,666,666 SCL Shares. In addition, SCL also had 16,000,000 Share Options outstanding which, when fully exercised, are convertible into 16,000,000 SCL Shares. The outstanding Share Options were held by five individuals as to (i) 10,000,000 Share Options by two SCL Directors; and (ii) 6,000,000 Share Options by three other individuals. Save as disclosed above, SCL did not have any other outstanding warrant, option, derivative or securities convertible into SCL Shares as at the Latest Practicable Date.

LETTER FROM HERCULES CAPITAL

As the Convertible Notes are already held by the Offeror, no offers in respect of the convertible instruments issued by SCL will be made. In respect of the Option Offer, all Optionholders have individually undertaken to SCL that (i) they would not exercise the Share Options until after the close of the Offers; and (ii) they would not accept the Option Offer. The Optionholders will hold the Share Options following the close of the Offers and the Share Options will remain exercisable in accordance with the terms of SCL's share option scheme adopted on 24 June 2002.

Although the Offeror may apply for a waiver of the general offer obligation under Note 6 to Rule 26.1 of the Takeovers Code, we consider that it is in the interest of the Company and SCC to make the Offers given that:

- (i) the performance of SCL Group is improving in the recent financial periods and the Shenyang Project currently held by SCL Group is expected to have great potential in further enhancing the shareholders' value of SCL;
- (ii) the Company may be able to further increase its shareholding in SCL, through SCC, at a discounted price by making the Offers so as to maximize the future benefits of being an ultimate shareholder of SCL; and
- (iii) the Offers can ensure all SCL Shareholders are being treated even-handedly as stipulated by general principal no. 1 of the Takeovers Code.

4.1.2 Share Offer Price

The Share Offer Price of HK\$0.33 per SCL Share represents:

- (i) a discount of approximately 29.03% to the closing price of HK\$0.465 per SCL Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 25.51% to the average closing price of HK\$0.443 per SCL Share as quoted on the Stock Exchange during the ten trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 12.74% to the average closing price of HK\$0.378 per SCL Share as quoted on the Stock Exchange during the thirty trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 52.86% to the closing price of HK\$0.700 per SCL Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 112.90% to the unaudited consolidated net tangible asset per SCL Share of approximately HK\$0.155 as at 30 June 2007.

LETTER FROM HERCULES CAPITAL

In order to assess the fairness and reasonableness of the Share Offer Price, we have, to the best of our knowledge and based on the information available from the Stock Exchange's website, reviewed and compared with all the mandatory cash offers (excluding privatizations) as announced by companies listed on GEM or Main Board (the "Share Offer Comparables") during the period from 1 April 2007 to the date of the S&P Agreement. The discounts/premiums represented by the offer price to/over (i) the closing price on the last full trading day before the respective announcements of the offers; and (ii) the consolidated net asset value per share of the Share Offer Comparables and SCL are summarized in Table 3 below.

Table 3 – Trading Statistics of the Share Offer Comparables

Date of announcement	Company name (stock code)	Principal business	Offer price (HK\$)	Premium/ (discount) of offer price over/(to) closing price on the last full trading day before the respective announcement (%)	Premium/ (discount) of offer price over/(to) consolidated net asset value per share (%) (Note 1)
26 April 2007	Taifook Securities Group Limited (665)	Broking and trading in securities, futures & bullion contracts and FX, provision of margin and other financing, corporate advisory, placing and underwriting, nominee and custodian, fund management and financial planning services	2.430	13.55	23.98
8 May 2007	Word Trade Bun Kee Ltd. (380)	Importing and selling of a comprehensive range of pipes, fittings and other related accessories of different materials, applications and brandnames in Hong Kong. Also engaged in warehouse business for a variety of products	1.850	(64.08)	31.21
9 May 2007	Artfield Group Limited (1229)	Manufacturing and marketing of clocks and lighting products, the trading of metals and the provision of electroplating services	0.550	(62.59)	(4.35)

LETTER FROM HERCULES CAPITAL

Date of announcement	Company name (stock code)	Principal business	Offer price (HK\$)	Premium/ (discount) of offer price over/(to) closing price on the last full trading day before the respective announcement (%)	Premium/ (discount) of offer price over/(to) consolidated net asset value per share (%) (Note 1)
14 May 2007	RBI Holdings Limited (566)	Manufacture, design and sale of children's toys	1.390	13.93	(8.55)
14 May 2007	Prosperity Investment Holdings Limited (310)	Holding of equity or equity-related investments and the provision of management services to these investee companies	0.140	(55.74)	(76.72)
14 May 2007	Techtronic Industries Company Limited (669)	Manufacture & trading of rechargeable power tools, floor care equipment, solar powered & electronic products, personal & health care products, kitchenware products	3.600	(66.91)	(25.48)
16 May 2007	The Hong Kong Building and Loan Agency Limited (145)	Investment holding, provision of mortgage finance and other related services and treasury investments	1.475	(35.87)	43.20
16 May 2007	MAE Holdings Limited (851)	Manufacturing and sale of electrical adapters, toroidal transformers, EI transformers and related accessories, plastic moulds and electrical products	2.292	(75.63)	N/A (Note 2)
18 May 2007	CASH Financial Services Group Limited (8122)	Provision of online and traditional brokerage of securities, options, futures and leverage foreign exchange contracts, mutual funds and insurance-linked investment products, margin financing, corporate finance, and online game services	0.380	(1.30)	8.57

LETTER FROM HERCULES CAPITAL

Date of announcement	Company name (stock code)	Principal business	Offer price (HK\$)	Premium/ (discount) of offer price over/(to) closing price on the last full trading day before the respective announcement (%)	Premium/ (discount) of offer price over/(to) consolidated net asset value per share (%) (Note 1)
13 June 2007	China Photar Electronics Group Limited (8220)	Development, design and sale of digital AV products for the mid-price segment of the market	0.017	(94.24)	(15.00)
28 June 2007	China Pharmaceutical Group Limited (1093)	Manufacture and sale of pharmaceutical products	1.670	(37.16)	(3.01)
3 July 2007	Global Solution Engineering Limited (8192) (Note 3)	Provision of image design services, information technology consultancy services as well as content management solution services and on-line advertising solution services	0.400	(48.05)	4,023.71
5 July 2007	Gay Giano International Group Limited (686)	Manufacture, retail and wholesale of fashion apparel and complementary accessories, property investment and management services business	0.833	(20.63)	248.70
6 July 2007	Era Information & Entertainment Limited (8043)	Distribution of home, video products, theatrical and television rights release, and film rights sub-licensing, as well as distribution of PC, console and online games	0.093	(83.68)	7.02
29 July 2007	Byford International Limited (8272)	Sourcing, sale and distribution of men's innerwear and socks under the Byford brandname	0.680	(31.31)	365.43

LETTER FROM HERCULES CAPITAL

Date of announcement	Company name (stock code)	Principal business	Offer price (HK\$)	Premium/ (discount) of offer price over/(to) closing price on the last full trading day before the respective announcement (%)	Premium/ (discount) of offer price over/(to) consolidated net asset value per share (%) (Note 1)
30 July 2007	Rising Development Holdings Limited (1004)	Manufacture and sale of fur garments, and the sale of fur skins	0.920	(18.58)	70.97
3 August 2007	Enric Energy Equipment Holdings Limited (3899)	Design, manufacture and sale of specialised gas equipment and providing integrated business solution in the gas energy industry in the PRC	5.920	(27.36)	414.78
7 August 2007	MARCO-LINK International Holdings Limited (472)	Production and distribution of wine	0.270	(70.33)	114.29
8 August 2007	Digital China Holdings Limited (861)	Distribution of general information technology and systems products and provision of systems integration services	3.500	(2.78)	56.25
9 August 2007	A-S China Plumbing Products Limited (8262)	Manufactures and distributes in the PRC a broad range of bathroom and kitchen fixtures and plumbing fittings under the plumbing products brand name of American Standard Inc.	3.310	39.10	0.565
23 August 2007	Yardway Group Limited (646)	Sale and distribution of vehicles and equipment covering most major transport sectors, including railway maintenance and airport ground support equipment, coaches and trucks. Also provide engineering services for coaches and trucks	0.500	(27.54)	31.58

LETTER FROM HERCULES CAPITAL

Date of announcement	Company name (stock code)	Principal business	Offer price (HK\$)	Premium/ (discount) of offer price over/(to) closing price on the last full trading day before the respective announcement (%)	Premium/ (discount) of offer price over/(to) consolidated net asset value per share (%) (Note 1)
29 August 2007	Graneagle Holdings Limited (147)	Garment manufacturing and trading	0.599	(47.91)	15.19
17 September 2007	BEP International Holdings Limited (2326)	Design, manufacture and sale of home electrical appliances including kettles, irons, heaters and coffee grinders	0.741	(89.70)	253.05
19 September 2007	Artel Solutions Group Holdings Limited (931)	Distribution of computer components and information technology products, and provision of integrated e-enabling solutions	0.039	4.32	N/A (Note 2)
Minimum				(94.24)	(76.72)
Maximum				39.10	414.78
Average				(36.83)	87.36
Median				(35.87)	31.58
26 October 2007	SCL (8155)	Publication of magazines and property investment and development	0.330	(29.03)	112.9

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Net asset value per share is calculated based on the latest published financial information of the respective Share Offer Comparables available prior to the release of the respective cash offer announcements.

LETTER FROM HERCULES CAPITAL

2. The Share Offer Comparables recorded deficiency in net asset value as at the date of the latest published financial information.
3. As the PBR of Global Solution Engineering Limited is extremely high, it is considered as an outlier and thus the trading statistics of Global Solution Engineering Limited are excluded from the analysis of the Share Offer Comparables.

As illustrated in the above table, the Share Offer Comparables had offer prices set at a range from a discount of approximately 94.24% to a premium of approximately 39.10% to their respective closing prices as quoted on the last trading day prior to the date of the relevant offer announcements. The discount of approximately of 29.03% of the Share Offer Price to the closing price of the SCL Shares on the Last Trading Day falls within the range of those of the Share Offer Comparables although it is lower than the average discount of the Share Offer Comparables of approximately 36.83%.

Based on the offer price of the Share Offer Comparables, the Share Offer Comparables were traded at a level ranging from a discount of approximately 76.72% to a premium of approximately 414.78% over their respective net asset value per share. The premium of the Share Offer Price over the audited net asset value per SCL Share of approximately 112.9% falls within the range of the Share Offer Comparables although it is higher than the average premium of approximately 87.36% of the Share Offer Comparables.

Based on the above analysis, we consider that the Share Offer Price is fair and reasonable to the Company and the Independent Shareholders as a whole after taking into consideration of the followings:

- (a) the discount of approximately 29.03% of the Share Offer Price to the closing price of the SCL Shares on the Last Trading Day falls within the range of those of the Share Offer Comparables;
- (b) the premium of the Share Offer Price over the latest audited consolidated net asset value per SCL Share falls within the range of the Share Offer Comparables; and
- (c) according to the Takeovers Code, offers made under Rule 26 of the Takeovers Code must, in respect of each class of equity share capital involved, be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with it for shares of that class of the offeree company during the offer period and within 6 months prior to its commencement. As Skychance acquired 120,000 SCL Shares on 7 September 2007 at a price of HK\$0.33 per SCL Share, the Share Offer Price of HK\$0.33 represents the minimum offer price that is permitted under the Takeovers Code.

4.1.3 Option Offer Price

The Option Offer Price represents the difference between the Share Offer Price of HK\$0.33 and the respective exercise price of the outstanding Share Options, which fairly reflects the intrinsic value of the Share Options. Therefore, we consider that the Option Offer Prices are fair and reasonable so far as the Independent Shareholders are concerned.

4.1.4 Consideration for the Offers

As at the Latest Practicable Date, SCL had 506,498,344 SCL Shares in issue. As the Offeror and parties acting in concert with it will hold in aggregate 346,709,203 SCL Shares after Completion, the maximum number of SCL Shares subject to the Share Offer will be 159,669,141. Based on the Share Offer Price of HK\$0.33, the maximum consideration for the Share Offer will be valued at approximately HK\$52.69 million.

As stated in the letter from the Board, all Optionholders have undertaken not to accept the Option Offer. Therefore, the consideration for the Option Offer is expected to be nil.

4.1.5 Financial Effects of the Offers

4.1.5.1 Cashflow

SCC Group has to settle the consideration of the Offers in cash upon Completion. However, as the consideration for the Offers is expected not to exceed HK\$52.69 million while SCC Group had cash and bank balances of approximately HK\$272.8 million and total current assets of approximately HK\$1,331.6 million as at 30 June 2007, it is expected that the negative impact on the cashflow will not be detrimental to SCC Group as well as the Company.

4.1.5.2 Earnings, Net Asset Value and Gearing

It is expected that the Offers shall not have any material impact on the earnings, net asset value and gearing of the Company.

4.2 Recommendation for the Offers

Having considered the principal factors and reasons stated above, we are of the view that the Offers are in the interest of the Company and the Independent Shareholders as a whole and the terms of which are in normal commercial terms and they are fair and reasonable so far as the Independent Shareholders are concerned.

5 OVERALL RECOMMENDATION

Having considered the factors detailed in the previous sections, in particular,

- (a) the Acquisition shall enable SCC Group to streamline its operations and delineate its group structure which may in turn eliminate all likely business conflicts and competition between SCC Group and SCL Group and help SCC Group's existing Shareholders and other potential investors better understand the business and potential of SCC Group as well as the Company;
- (b) the performance of SCL Group is improving in the recent financial periods and the Shenyang Project is expected to have great potential in further enhancing the shareholders' value of SCL Group;
- (c) the acquisition of a controlling stake in SCL shall enable SCC Group to have a direct control on SCL, through which SCC Group as well as the Group can better manage their risk exposure in relation to the guarantee given to SCL;
- (d) SCC as well as the Company can consolidate the results of SCL Group into their accounts after getting the controlling stake in SCL;
- (e) the Company, being the parent company of SCC, will be able to capitalize on the value and upside potential of the Shenyang Project through the shareholding of SCC in SCL;
- (f) the Acquisition is currently the only viable approach for SCC Group to obtain controlling interest in SCL;
- (g) the consideration for the Sale Shares is fair and reasonable to the Company and the Independent Shareholders as a whole in view of the significant discount to the market price of the SCL Shares and a PBR that falls within the market range of the Comparables and lower than the average of the Comparables;
- (h) the interest of the Promissory Notes is set at a level in favor of the Group and other terms of the Promissory Notes are fair and reasonable and on normal commercial terms;
- (i) the discount implied by the Share Offer Price to the closing price of SCL Shares on the Last Trading Day falls within the range of the Share Offer Comparables;
- (j) the premium of the Share Offer Price over the latest audited consolidated net asset value per SCL Share are in line with the Share Offer Comparables;
- (k) the Share Offer Price of HK\$0.33 represents the minimum offer price that is permitted under the Takeovers Code; and

LETTER FROM HERCULES CAPITAL

- (1) the Option Offer Price represents the difference between the Share Offer Price of HK\$0.33 and the respective exercise price of the outstanding Share Options, which fairly reflects the intrinsic value of the Share Options,

we are of the view that the Acquisition and the Offers are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole. As such, we recommend the Independent Board Committee to advise the Independent Shareholders, and recommend the Independent Shareholders, to vote in favor of the resolutions to be proposed at the EGM to approve the S&P Agreement and transactions contemplated therein.

Yours faithfully,
For and on behalf of
Hercules Capital Limited

Louis Koo
Managing Director

Amilia Tsang
Director

The following is the text of a letter, a summary of value and a valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Limited, an independent valuer, in connection with its valuation of the Shenyang Project which is held by the SCL Group.



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16 November 2007

The Directors
South China Land Limited
Unit A, 3rd Floor
Wah Shing Centre
5 Fung Yip Street
Chai Wan, Hong Kong

The Directors
South China (China) Limited
28/F, Bank of China Tower
No. 1 Garden Road
Central, Hong Kong

The Directors
South China Holdings Limited
28/F Bank of China Tower
No. 1 Garden Road
Central, Hong Kong

Dear Sirs

Re: A Development Site Located at the Western Side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the People Republic of China (“the Property”)

Instructions and Date of Valuation

In accordance with the joint instructions from South China Land Limited 南華置地有限公司 (“SCLL”), South China Holdings Limited (“SCHL”) and South China (China) Limited (“SCCL”), we confirm that we have carried out an inspection, made relevant enquiries and obtained such further information as we deem necessary to derive our opinion as to the market value of the property interest of the development site (identified as Lot No. 0207027 in the State Owned Land Use Rights Certificate), located at the western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province in the People Republic of China, as at 31 October 2007 (“the date of valuation”).

The purpose of this valuation is in relation to a major and connected transaction of SCCL and discloseable and connected transaction of SCHL in respect of the acquisition of interest in SCLL (“the Transaction”). Hereinafter, we refer to these three parties jointly as the Instructing Parties.

We would like to add that we have carried out a valuation of the Property as at 31 March 2007 for the Instructing Parties for public disclosure purpose in June 2007.

Basis of Valuation and Assumptions

Our valuation is made on the basis of the market value adopted by the Hong Kong Institute of Surveyors as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

In preparing the valuation, we have complied with the requirements as set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

According to the legal opinion prepared by the Instructing Parties’ PRC legal adviser, Liaoning Cheng Ming Law Firm, (遼寧誠銘律師事務所) (the legal adviser) in May 2007, the majority portion of the Property with a site area of approximately 18,841.5m² has been granted with land use rights certificate. However, Shenyang Plan and Resources Bureau (“the Bureau”) agreed to extend the site area of the Property to a total of 21,893.5m² and the land premium demand note for the remaining portion of the site area of 3,052m² has been served on Liaoning Dafa Real Estate Co., Ltd. (hereinafter referred as “Liaoning Dafa”). The legal adviser is of the opinion that it would be legitimate for Liaoning Dafa to adjust the total site area to 21,893.5m² as it would have good land use title of the additional site area without any legal impediment upon full settlement of the land premium and through proper registration procedures. No further update in this respect has been provided to us for this valuation and we have been instructed to rely on the legal advice in May 2007.

Furthermore, the valuation assumes that the owner sells the Property on the market without the benefit of deferred terms contracts, leasebacks, joint venture agreements or any similar arrangements which could serve to affect the value of the Property. No allowance has been made in the valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation that may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature that could affect its value.

Method of Valuation

In valuing the Property which is a development site, we have assessed the value of the Property on the basis that it will be developed and completed in accordance with the latest development proposals provided to us. In the course of our valuation, we have adopted the direct comparison approach by making reference to comparable land sales transactions in the locality.

Source of Information

We have relied to a considerable extent on the information provided by the Instructing Parties and we have no reason to doubt the truth and accuracy of the information provided to us. The Instructing Parties also advised that no material facts have been omitted from the information supplied and we have no reason to suspect that material information has been withheld.

We were provided with copies of site plan, land grant contract, land use rights certificate and the construction planning land use permit relating to the title of the Property. For title matters, we have relied on the opinion provided by the Instructing Parties' legal adviser.

We have accepted advice given to us on such matters as tenure, site area, easement, planning approvals, the proposed development scheme, floor areas, estimated construction cost and timing of the proposed development and all relevant matters supplied by the Instructing Parties. Dimensions, measurements and areas included in the valuation report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken to verify the correctness of the site area.

Property Inspection

We have inspected the Property and its surrounding areas on 1 November 2007. We were not instructed to carry out any investigations on site in order to determine the suitability of ground conditions and services, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and no extraordinary costs or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. However, should it be established subsequently that contamination, subsidence or other defects exist at the Property or on any neighboring land, or that the Property has been or being put to any contaminative use, we reserve the right to adjust the value reported herein.

Currency

All currency stated herein this report is in Renminbi.

The valuation certificate is attached hereto.

Yours faithfully
For and on behalf of
Jones Lang LaSalle Limited
Rita Wong Sing Ming
Regional Director
Registered Professional Surveyor (GP)
BBus, MHKIS, AAPI, RPS (GP)

Ms Wong is a Registered Professional Surveyor and a Regional Director with the Valuation Advisory Services Department of Jones Lang LaSalle Limited. She has about 14 years of valuation and advisory experience in various key markets in the North Asia Region, including the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 October 2007
<p>A development site located at the western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC.</p> <p>(“the Property”)</p> <p>(Identified as lot No. 0207027 in the State Owned Land Use Rights Certificate)</p>	<p>The Property comprises a roughly rectangular shaped site located at the western side of Zhaoyang Street, close to its junction with Zhong Jie, which is a pedestrianised street.</p> <p>The subject Property comprising a site area of 18,841.5m² has been granted with the State Owned Land Use Rights Certificate. The acquisition for an additional site area of 3,052m² to extend the total site area of the Property to 21,893.5m² is pending formal completions. (See <i>Note 2</i>).</p> <p>The Property was designated for commercial use with land use term of 40 years, expiring on 31 December 2046.</p> <p>The Property is proposed for a retail development, currently known as South China Land Plaza (“the Proposed Development”) with planned gross floor area of approximately 117,200m². (See <i>Note 8</i>).</p>	<p>The Property was a vacant site as per recent site inspection.</p>	<p>RMB560,000,000</p> <p>(See <i>Notes 6 & 9</i>)</p>

Notes:

1. According to the copy of the State Owned Land Use Rights Certificate (the “Land Use Rights Certificate”) No. Shenyang Guo Yong 2007 Di 0054 dated 9 February 2007, the land use rights of portion of the Property was granted to 遼寧大發房地產有限責任公司 Liaoning Dafa Real Estate Co., Ltd. (“Liaoning Dafa”).
2. According to the copy of the Land Use Rights Certificate, the Property currently comprises a site area of 18,841.5m² (the “Original Site Area”), which is taken as the subject of this valuation. We have been advised by the Instructing Parties that Liaoning Dafa has subsequently acquired a further site area of 3,052m² (the “Additional Site Area “), subject to the payment of land premium of RMB8,896,580. The consolidated total site area of the Property for the Proposed Development would be 21,893.5m².
3. According to the information provided by the Instructing Parties, Liaoning Dafa is a Sino-foreign joint venture company incorporated in the PRC. Praise Rich Limited is an investment holding company holding all of the shares of Ever Talent Limited, which in turn is the 80% foreign investor of Liaoning Dafa. Praise Rich Limited is wholly owned by South China Land Limited. Upon Completion of the Acquisition, South China Land Limited will become a subsidiary of South China (China) Limited as to 68.47%. South China (China) Limited is held as to 74.79% by South China Holdings Limited.
4. According to the copy of the State-owned Land Use Rights Grant Contract (the “Land Grant Contract”) No. Shen Gui Guo Tu Chu He Zi [2006] 0172 signed on 31 December 2006, the Original Site Area of 18,841.5m² was granted to Liaoning at a consideration of RMB67,369,535. Liaoning Dafa would be responsible for the demolition and compensation/resettlement costs of the existing on-site structures as well as the urban ancillary facility fees of the site.

Based on the information provided by the Instructing Parties, the total compensation/resettlement costs for the Property was in the region of RMB120,000,000.

5. Salient development conditions as stipulated in the Land Grant Contract and Construction Land Use Planning Permit are as follows:
- (i) Site area

:

18,841.5m²
- (ii) Permitted Use

:

Commercial
- (iii) Permitted Plot Ratio

:

Not to exceed 1
- (iv) Height Restrictions

:

Not to exceed 18m
- (v) Land Use Term

:

40 years
- (vi) Others

:

The grantee should commence construction works within 6 months from the date of obtaining the construction works planning permit and complete the construction works within the time limit set by relevant government departments.

6. The status of title and grant of major approvals and licenses in accordance with the information provided to us by the Instructing Parties and the aforesaid legal opinion are as follows:
- | | | |
|-------|--|--|
| (i) | State-owned Land Use Rights Grant Contract | Yes (for site area of 18,841.5m ²) |
| (ii) | State-owned Land Use Rights Certificate | Yes (for site area of 18,841.5m ²) |
| (iii) | Construction Land Use Planning Permit | Yes (for site area of 18,841.5m ²) |
| (iv) | Site Plan | Yes (for site area of 18,841.5m ²) |
| (v) | Construction Works Planning Permit | No |
| (vi) | Construction Works Commencement Permit | No |
| (vii) | Business License for Liaoning Dafa | Yes |
7. We have been provided with the Instructing Parties’ PRC legal adviser’s opinion, which inter-alia, contains the following:
- (i) It would be legitimate and feasible for Liaoning Dafa to apply for increase of plot ratio of the Property from 1.0 as stipulated in the Land Grant Contract and Construction Land Use Planning Permit to an above-ground plot ratio of 2.7, subject to the conditions that the construction land use, planning, design and construction of the Proposed Development would comply with the relevant restrictive documents and regulations issued by the relevant bureaus of the state and Shenyang City and payment of land premium.
 - (ii) Liaoning Dafa would have no legal impediment to obtain good land use title of the Additional Site Area, subject to the settlement of the land premium and through proper registration procedures.
 - (iii) Liaoning Dafa has obtained the Land Use Rights Certificate for the site area of 18,841.5m². No any encumbrances were registered in the certificate.
 - (iv) Liaoning Dafa has good land use title in respect of the site area of 18,841.5m². Liaoning could assign, mortgage and transfer this site area in the open market when the property complied with the relevant law and regulations.
8. As advised by the Instructing Parties, Liaoning Dafa is currently in negotiation with the Shenyang Plan and Land Resources Bureau to increase the developable gross floor area. According to the schematic development plans provided, the Proposed Development would comprise a 7-storey (including 3 basement levels and 4 above-ground levels) retail development with total gross floor area of approximately 117,200m². We were further advised that there would be underground connections linking to the future mass transit system at the basement levels 1 and 2 of the Proposed Development.

As at the date of valuation, the proposed developable area of the Proposed Development was not consistent with the development conditions as stipulated in the Land Grant Contract and the Construction Land Use Planning Permit. We were advised that modification of the relevant development conditions and payment of land premium (if any) would be required.

We have been provided with a copy of the minutes issued by Shenyang Plan and Land Resources Bureau dated 24 October 2007, indicating that the Bureau was principally agreeable to an increase in the permitted plot ratio from 1.0 to 2.7 for the Proposed Development, subject to application to the Bureau for certain administrative procures and payment of additional land premium.

9. We have been instructed to assess the market value of the Property as a development site based on the following assumptions as at 31 October 2007:
- (i) the Property and the Proposed Development are free of any encumbrances and could be freely assigned, mortgaged, let and transferred in the market;
 - (ii) the land premium (including the extension of site area and modification of the development conditions) and all compensation/resettlement costs have been fully paid and settled, including the potential additional premium for the increase in plot ratio;
 - (iii) the Proposed Development would be built and complete on schedule and in accordance with the provided development schematic plans and estimated development costs; and
 - (iv) the Proposed Development with a gross floor area of approximately 117,200m² would be duly approved by relevant government authorities.
10. We have also been instructed to assess the value of the Property with a site area of 21,893.5m², assuming the Land Use Rights Certificate of the Additional Site Area has been obtained. The market value of the unencumbered leasehold interest of the Property with site area of 21,893.5m², as a site proposed for a 117,200m² retail development with the benefit of vacant possession and subject to the above assumptions in Note 9 above, would be in the region of RMB650,000,000 as at 31 October 2007. The capital value of the Proposed Development, assuming it was completed as at 31 October 2007, was assessed in the region of RMB1,700,000,000. These values represent 100% interest of the Property and the Proposed Development respectively.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

(a) The Company

(1) Interests in Shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner Interest of controlled corporations	71,652,200 1,272,529,612 (Note a)	1,344,181,812	73.72%
Richard Howard Gorges ("Mr. Gorges")	Interest of controlled corporations	487,949,760 (Note a)	487,949,760	26.76%
Cheung Choi Ngor ("Ms. Cheung")	Interest of controlled corporations	487,949,760 (Note a)	487,949,760	26.76%

(2) Interest in underlying shares

Name of Director	Capacity	Number of underlying shares*	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	18,000,000	0.99%
Ms. Cheung	Beneficial owner	18,000,000	0.99%
Mr. Ng Yuk Fung, Peter	Beneficial owner	18,000,000	0.99%
Ms. Ng Yuk Mui, Jessica	Beneficial owner	18,000,000	0.99%

* Represents underlying shares subject to share options granted to the Directors, details of which are as follows:

Name of Director	Date of grant	Subscription price per share	No. of share options granted	Exercise period
Mr. Gorges	18/09/2007	HK\$2.00	6,000,000	18/09/2008 – 17/09/2017
			6,000,000	18/09/2009 – 17/09/2017
			6,000,000	18/09/2010 – 17/09/2017
Ms. Cheung	18/09/2007	HK\$2.00	6,000,000	18/09/2008 – 17/09/2017
			6,000,000	18/09/2009 – 17/09/2017
			6,000,000	18/09/2010 – 17/09/2017
Mr. Ng Yuk Fung, Peter	18/09/2007	HK\$2.00	6,000,000	18/09/2008 – 17/09/2017
			6,000,000	18/09/2009 – 17/09/2017
			6,000,000	18/09/2010 – 17/09/2017
Ms. Ng Yuk Mui, Jessica	18/09/2007	HK\$2.00	6,000,000	18/09/2008 – 17/09/2017
			6,000,000	18/09/2009 – 17/09/2017
			6,000,000	18/09/2010 – 17/09/2017

(b) Associated corporation

(1) Interests in shares

(i) SCC (Note b)

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	1,983,206,785 (Note c)	74.79%

(ii) South China Financial Holdings Limited (“SCFH”) (Note d)

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	3,660,502,500 (Note e)	72.80%
Mr. Gorges	Beneficial owner	12,174,000	0.24%
Ms. Cheung	Beneficial owner	10,000,000	0.20%

(iii) South China Financial Credits Limited (“SCFC”) (Note f)

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Yuk Fung, Peter	Beneficial owner	250,000	0.59%

(iv) Prime Prospects Limited (“Prime Prospects”) (Note g)

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of a controlled corporation	30 (Note h)	30%

(2) Interest in underlying shares

(i) SCC

a) Warrants

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	396,641,357 (Note i)	14.96%

b) Share options

Name of Director	Capacity	Number of underlying shares**	Approximate percentage of shareholding
Ms. Cheung	Beneficial owner	26,000,000	0.98%
Mr. Ng Yuk Fung, Peter	Beneficial owner	26,000,000	0.98%

** Represents underlying shares subject to share options granted to the Directors, details of which are as follows:

Name of Director	Date of grant	Subscription price per share	No. of share options granted	Exercise period
Ms. Cheung	18/09/2007	HK\$1.50	8,666,666	18/09/2008 – 17/09/2017
			8,666,667	18/09/2009 – 17/09/2017
			8,666,667	18/09/2010 – 17/09/2017
Mr. Ng Yuk Fung, Peter	18/09/2007	HK\$1.50	8,666,666	18/09/2008 – 17/09/2017
			8,666,667	18/09/2009 – 17/09/2017
			8,666,667	18/09/2010 – 17/09/2017

(ii) SCFH

a) Warrants

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	732,100,500 <i>(Notes j and k)</i>	14.56%
Mr. Gorges	Beneficial owner	2,434,800 <i>(Note j)</i>	0.05%
Ms. Cheung	Beneficial owner	2,000,000 <i>(Note j)</i>	0.04%

b) Share options

Name of Director	Capacity	Number of underlying shares***	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	30,000,000	0.60%
Ms. Cheung	Beneficial owner	20,000,000	0.40%
Mr. Ng Yuk Fung, Peter	Beneficial owner	50,000,000	1.00%

*** Represents underlying shares subject to share options granted to the Directors, details of which are as follows:

Name of Director	Date of grant	Subscription price per share	No. of share options granted	Exercise period
Mr. Gorges	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Ms. Cheung	16/03/2006	HK\$0.128	10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Mr. Ng Yuk Fung, Peter	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
	26/04/2006	HK\$0.128	6,666,667	26/04/2007 – 25/04/2009
			6,666,667	26/04/2008 – 25/04/2010
			6,666,666	26/04/2009 – 25/04/2011

Notes:

- (a) The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations referred to above include 371,864,000 shares held by Parkfield, 396,050,252 shares held by Fung Shing, 16,665,600 shares held by Ronastar, 237,303,360 shares held by Bannock and 250,646,400 shares held by Earnttrade. Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earnttrade which is owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Mr. Gorges and Ms. Cheung are deemed to have an interest in 487,949,760 shares, which are being held by both Bannock and Earnttrade.
- (b) SCC is a 74.79% owned subsidiary of the Company.
- (c) The 1,983,206,785 shares of SCC are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company and as a Director, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCC under the SFO.
- (d) SCFH is a 72.80% owned subsidiary of the Company.
- (e) The 3,660,502,500 shares of SCFH are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company and as a Director, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCFH under the SFO.
- (f) SCFC is a 98.36% owned subsidiary of SCFH.
- (g) Prime Prospects is a 70% owned subsidiary of SCC.
- (h) Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares of Prime Prospects.
- (i) These are interests held under warrants of SCC which entitle the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid shares of SCC at an initial subscription price of HK\$0.40 per share (subject to adjustments). These warrants were held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in shares of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said warrants of SCC under SFO.
- (j) These are interests held under warrants of SCFH entitle the holders thereof to subscribe at any time during the period from 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of SCFH at an initial subscription price of HK\$0.168 per share (subject to adjustments).
- (k) These warrants were held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in shares of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said warrants of SCFH under SFO.
- (l) All interests disclosed above represent long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER THE SFO

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, those persons, other than the Directors or chief executive of the Company, who had an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the Enlarged Group and the amount of each such person’s interest in such securities, together with particulars of any options in respect of such capital or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

(a) The Company – Long Position in the Shares

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 (Notes a & b)	26.76%
Bannock	Beneficial owner	237,303,360 (Notes a & b)	13.01%
Parkfield	Beneficial owner	371,864,000 (Note b)	20.39%
Fung Shing	Beneficial owner	396,050,252 (Note b)	21.72%

Note: (a) Bannock is a wholly-owned subsidiary of Earntrade. The 487,949,760 shares in the Company held by Earntrade include 237,303,360 shares held by Bannock directly.

(b) Mr. Ng, Mr. Gorges and Ms. Cheung are also the directors of both Earntrade and Bannock Mr. Ng is also the director of Parkfield and Fung Shing.

As at the Latest Practicable Date, Mr. Ng, the chairman and executive director of the Company, is also a director of each of Parkfield, Fung Shing, Earntrade, Bannock and SCC. Mr. Ng Yuk Fung, Peter, executive director of the Company, is also an executive director of SCC. Ms. Ng Yuk Mui, Jessica, non-executive director of the Company, is also a non-executive director of SCC.

(b) SCL

(i) Long position in SCL Shares

Name of shareholder	Capacity	Number of SCL Shares of	Approximate % shareholding
Parkfield	Beneficial owner	101,422,000 <i>(Note a)</i>	20.02%
Fung Shing	Beneficial owner	99,012,563 <i>(Note a)</i>	19.55%
Earntrade	Beneficial owner	62,661,600 <i>(Note b)</i>	12.37%
	Interest of controlled corporation	59,325,840 <i>(Note b)</i>	11.71%
Bannock	Beneficial owner	59,325,840 <i>(Note b)</i>	11.71%
SCC	Interest of controlled corporation	346,829,203	68.47%
The Company	Interest of controlled corporation	346,829,203	68.47%

(ii) Long position in underlying SCL Shares

Name of shareholder	Capacity	Number of SCL Shares	Approximate % of shareholding
SCC	Interest of controlled corporation	10,666,666,666 <i>(Note c)</i>	2,105.96%
The Company	Interest of controlled corporation	10,666,666,666 <i>(Notes c and d)</i>	2,105.96%

Notes:

- (a) Each of Parkfield and Fung Shing was wholly owned by Mr. Ng, the chairman of the Company, SCC and SCL.
- (b) Eartrade, which was owned as to 60%, 20% and 20% by Mr. Ng, Mr. Gorges and Ms. Cheung, directors of the Company and SCC, respectively, is the holding company of Bannock. Thus, Eartrade was deemed to be interested in the 59,325,840 SCL Shares held by Bannock.
- (c) The Convertible Notes with the rights to convert 10,666,666,666 SCL Shares at a conversion price of HK\$0.075 each was issued to Skychance, a subsidiary of SCC.
- (d) SCC was a 74.79%-owned subsidiary of the Company. Thus the Company was deemed to be interested in 10,666,666,666 underlying SCL Shares to be issued to Skychance.

As at the Latest Practicable Date, Mr. Ng, the chairman and executive director of the Company, is also a director of each of Parkfield, Fung Shing, Eartrade, Bannock, SCL and SCC. Mr. Ng Yuk Fung, Peter, executive director of the Company, is also an executive director of each of SCL and SCC. Ms. Ng Yuk Mui, Jessica, non-executive director of the Company, is also a non-executive director of each of SCL and SCC.

So far as was known to the Directors and chief executive of the Company, other than the interests and short positions disclosed above, there were no persons (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the Enlarged Group and the amount of each of such person's interest in such securities, together with particulars of any options in respect of such capital or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

Mr. Ng, an executive director of the Company, SCC and SCL, has entered into a service contract with SCL without any remuneration for an initial fixed term of one year commencing from 28 January 2002, which continues thereafter unless and until terminated by not less than three months' notice in writing served by either party on the other.

As at the Latest Practicable Date, save as disclosed, none of the Directors had entered into or proposed to enter into any service contracts with the Group or the Enlarged Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS

- (a) On 9 January 2007, WTS International (BVI) Limited (“WTS”), a wholly-owned subsidiary of SCC, entered into a share purchase agreement (the “Agreement I”) with SCL, of which Mr. Ng is a substantial shareholder, and SCC in relation to the disposal of 51% equity interest in Praise Rich Limited (“Praise Rich”) at a consideration of HK\$408 million by way of issuance of convertible note of SCL, entitling the convertible noteholders to convert into a maximum of 5,440,000,000 shares of SCL at a conversion price of HK\$0.075. The transaction was approved at an extraordinary general meeting of the Company on 8 March 2007 and completed on 12 March 2007. Praise Rich ceased to be a subsidiary and accounted as an associate of the Group upon completion of the transaction.
- (b) On 30 April 2007, WTS entered into a share purchase agreement (the “Agreement II”) with SCL and SCC in relation to the disposal of the remaining 49% equity interest in Praise Rich at a consideration of HK\$392 million by way of issuance of convertible note of SCL, entitling the convertible noteholders to convert into a maximum of 5,226,666,666 shares of SCL at a conversion price of HK\$0.075. The transaction was approved at an extraordinary general meeting of the Company on 4 July 2007 and completed on 6 July 2007. Praise Rich became a wholly-owned subsidiary of SCL upon completion of the transaction.
- (c) On 4 July 2007, two wholly-owned subsidiaries of SCC, namely, South China Strategic Limited (“SC Strategic”) and Full Sino Profits Limited (“Full Sino”) entered into an agreement (the “Agreement III”) with wholly-owned subsidiaries of the Company, namely Tek Lee Finance and Investment Corporation Limited and South China Media Limited in relation to (i) the disposal of entire issued share capital of each of Southchinanet.com (BVI) Limited and Four Seas Travel (BVI) Limited at a consideration of HK122.1 million; and (ii) the acquisition of the entire issued share capital of each of Limehouse Investments Limited and Welbeck Holdings Limited at a consideration of HK122.1 million. The transactions were approved at an extraordinary general meeting of the Company on 21 August 2007 and completed on 23 August 2007.

Save as and except for Mr. Ng who has material interests in the transactions as disclosed in (a) and (b) above and Mr. Ng, Mr. Gorges and Ms. Cheung who have material interest in the transaction as disclosed in (c) above and the Acquisition, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which have been, since 31 December 2006, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group and the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Group and the Enlarged Group.

6. DIRECTORS' INTERESTS IN CONTRACTS

Save as and except for Mr. Ng who has material interests in the Agreement I and the Agreement II as disclosed in paragraph 5 above and Mr. Ng, Mr. Gorges and Ms. Cheung who have material interest in the Agreement III as disclosed in paragraph 5 above and the Acquisition, as at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group and the Enlarged Group subsisting.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng, Chairman of the Company, is also the Chairman and the substantial shareholder of SCL. Mr. Ng together with Mr. Gorges and Ms. Cheung, the Directors, have interests in certain shares of SCL and they are involved in the day-to-day management of the property business in SCL. In addition, Mr. Ng Yuk Fung, Peter, being an executive Director, is also an executive SCL Director. Mr. Ng is the controlling shareholder of Jessica Publications (BVI) Limited ("Jessica") and each of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter is a director of Jessica. SCL is principally engaged in the publication and property business and Jessica is principally engaged in the publication business which are considered as competing businesses of the Group.

Accordingly, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter is regarded as interested in such competing businesses of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SCL and Jessica as the Group's relevant publication business has its own target reader market and contents which are different from those of SCL and Jessica.

In addition, the Group holds a substantial interest in SCL through the Convertible Notes issued by SCL. Furthermore, SCL is expected to become a subsidiary within the Group following Completion of the Acquisition. The interest of Mr. Ng, Mr. Gorges, Ms. Cheung and Mr. Ng Yuk Fung, Peter and that of the Group in SCL are aligned. If (i) the Convertible Notes were converted to the extent that SCL becomes a subsidiary of the Group; or (ii) the Acquisition completes pursuant to the terms of the S&P Agreement, SCL's publication and property business will then be merged into the businesses of the Group and the relevant Directors will cease to have interest in such competing business.

Save as disclosed above (including the information of Mr. Ng, Mr. Gorges, Ms. Cheung, Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter), as at the Latest Practicable Date, none of the Directors nor any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

8. 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.

9. LITIGATION

So far as the Directors are aware, no member of the Group or the Enlarged Group is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to them to be pending or threatened against any member of the Group or the Enlarged Group.

10. QUALIFICATIONS OF EXPERTS, CONSENTS AND EXPERTS’ INTERESTS

- (a) The following are qualification of experts who have given opinions, letters or advice which are contained or referred to in this circular:

Hercules Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
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Jones Lang LaSalle Limited	an independent professional property valuer
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(Collectively, the “Experts”)

- (b) As at the Latest Practicable Date, none of the Experts had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (c) As at the Latest Practicable Date, each of the Experts had and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included. The letter from Hercules Capital and the property valuation report of Jones Lang LaSalle Limited were made for incorporation in this circular.
- (d) As at the Latest Practicable Date, none of the Experts had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

11. GENERAL

- (a) The secretary of the Company and qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Ms. Cheung Siu Lan, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the Australian Society of Certified Practising Accountants. She is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, and its head office and principal place of business in Hong Kong is situated at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The transfer office of the Company is Union Registrars Limited at Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (c) The address of Hercules Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is 1503, Ruttonjee House, 11 Duddell Street, Central, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:00 p.m. (other than a Saturday, a Sunday and a public holiday) at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on any business day from the date of this circular until the date of the EGM.

- (a) the service contract referred in the paragraph headed “Directors’ Service Contracts”;
- (b) each of the agreements referred in the paragraph headed “Directors’ Interests in Assets” above;

- (c) the letter from the Independent Board Committee, the text of which is set out in the section of this circular headed “Letter from the Independent Board Committee”;
- (d) the written consent from Hercules Capital referred to in the paragraph headed “Qualification of Experts, Consents and Experts’ Interests” above;
- (e) the property valuation report prepared by Jones Lang LaSalle Limited, the text of which is set out in Appendix I to this circular; and
- (f) S&P Agreement.

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 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on 4 December 2007 at 10:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement dated 26 October 2007 (the “S&P Agreement”) entered into amongst (i) Mr. Ng Hung Sang; (ii) Bannock Investment Limited; (iii) Earntrade Investments Limited; (iv) Fung Shing Group Limited; (v) Parkfield Holdings Limited; (vi) Ronastar Investments Limited (collectively the “Vendors”) and (vii) Skychance Group Limited (the “Purchaser”) a wholly-owned subsidiary of South China (China) Limited, which is a 74.79% subsidiary of the Company, for the sale and purchase (the “Transaction”) of 346,709,203 shares in the issued share capital of South China Land Limited 南華置地有限公司 (“SCL”), representing approximately 68.45% of SCL’s issued share capital (a copy of the S&P Agreement has been produced to this meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) be and are hereby generally and unconditionally approved, confirmed and ratified in all respects and that all the transactions contemplated therein, including but not limited to the issue of the promissory note(s) (the “Promissory Note(s)”) in the aggregate principal amount of HK\$97,078,576.84 by the Purchaser in favour of the relevant Vendors as the consideration for the Transaction, be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company, and if the affixation of the common seal of the Company is necessary, any two directors or any one director and the company secretary of the Company, be and are hereby authorised, for and on behalf of the Company, to do all acts and things and execute and deliver all documents of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any and/or all transactions contemplated under the Transaction and/or the S&P Agreement including but not limited to the issue of the Promissory Note(s).”

By order of the board
Cheung Siu Lan
Company Secretary

Hong Kong, 16 November 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

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 notorially certified copy of such power of attorney or 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 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 in the register of members of the Company in respect of the joint shareholding.