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JOINT ANNOUNCEMENT



Chinese Success Limited <i>(Incorporated in the British Virgin Islands with limited liability)</i>	Nority International Group Limited <i>(Incorporated in the Cayman Islands with limited liability)</i> (Stock Code: 660)	South China Holdings Limited <i>(Incorporated in the Cayman Islands with limited liability)</i> (Stock Code: 265)	South China Industries Limited <i>(Incorporated in the Cayman Islands with limited liability)</i> (Stock Code: 413)
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**SPECIAL DEALS, MAJOR,
CONNECTED AND CONTINUING
CONNECTED TRANSACTIONS**

**DISCLOSEABLE
TRANSACTIONS**

**DISCLOSEABLE
TRANSACTIONS**

POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY



博大資本國際有限公司

Partners Capital International Limited

ON BEHALF OF CHINESE SUCCESS LIMITED

**TO ACQUIRE ALL THE ISSUED SHARES OF HK\$0.10 EACH IN THE SHARE CAPITAL OF
NORITY INTERNATIONAL GROUP LIMITED**

**(OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE
ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)**

Financial Adviser to the Offeror



博大資本國際有限公司

Partners Capital International Limited

Financial Advisor to Nority International Group Limited



Goldbond Capital (Asia) Limited

**Financial Adviser to South China Holdings Limited
and
South China Industries Limited**



South China Capital Limited

The Agreement

On 6 November 2006, the Offeror entered into the Agreement with Micon and South China Industries, pursuant to which the Offeror conditionally agreed to acquire, and Micon conditionally agreed to dispose of, the Sale Shares, representing approximately 95.35% of the total issued share capital of Nority International at an aggregate consideration of HK\$105,424,851.13, equivalent to HK\$0.412 per Sale Share.

Micon is a wholly-owned subsidiary of South China Industries which in turn is a subsidiary of South China Holdings. Since the applicable percentage ratios in respect of the Transaction represents more than 5% but less than 25% for both South China Holdings and South China Industries, the entering into of the Agreement constitutes a discloseable transaction of each of South China Holdings and South China Industries under the Listing Rules.

Disposal of Nority (BVI) and the Subscription

On 6 November 2006, Nority International entered into the Disposal Agreement with Micon and South China Industries to dispose of the Nority (BVI) Sale Shares and the Nority (BVI) Sale Loan to Micon. For the continuing operation of Nority, Nority and Nority Development, a wholly-owned subsidiary of Nority (BVI), intend to enter into the Rental Agreement, pursuant to which Nority will lease back the Rented Premises from Nority Development for the business operation of Nority upon completion of the Disposal.

On 6 November 2006, Nority International, Micon and Nority entered into the Nority Subscription Agreement, pursuant to which the Subscription Shares will be allotted and issued to Micon and upon completion of the Subscription, Nority will be converted from a wholly-owned subsidiary to a non-wholly-owned subsidiary of Nority International, in which Nority International and Micon will be interested in 65% and 35% of the issued A Shares respectively. Upon completion of the Subscription, it is intended that the Joint Venture Deed, the Put Option Deed and the Management Agreement will be entered into for the purpose of governing the relationship between Nority International and Micon and the operation and management of Nority.

The Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement constitute special deals under Rule 25 of the Takeovers Code, and therefore require the consent of the Executive. Such consent, if granted, will be conditional upon the approval of the Independent Shareholders voting by way of a poll at the EGM. Micon is the controlling shareholder of Nority International. Under the Listing Rules, Micon is regarded as a connected person of Nority International. Accordingly, the entering into of the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed and the Put Option Deed constitutes connected transactions of Nority International under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Connected Transactions, if aggregated under Rule 14A.25 of the Listing Rules, represents more than 2.5% (and the total consideration is more than HK\$10,000,000) for Nority International, the entering into of the Connected Transactions is subject to approval of the Independent Shareholders.

Since Micon will be a substantial shareholder of Nority upon completion of the Subscription and South China Strategic and Micon are wholly-owned subsidiaries of South China Industries, South China Strategic will be regarded as a connected person of Nority International upon completion of the Subscription. Furthermore, since Nority Development will become a wholly-owned subsidiary of Micon upon completion of the Disposal, Nority Development will then be regarded as a connected person of Nority International. Under such circumstances, the transactions contemplated under the Management Agreement and the Rental Agreement will constitute non-exempt continuing connected transactions of Nority International under Chapter 14A of the Listing Rules. The Continuing Connected Transactions and the Proposed Caps will be subject to Independent Shareholders' approval and to the annual review and reporting requirements under the Listing Rules.

Since Micon has an interest in the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps, Micon, its associates and any Shareholders who are involved in or interested in the Special Deals will abstain from voting for the resolutions approving the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps at the EGM.

Furthermore, the applicable percentage ratios in respect of the Disposal Agreement, the Nority Subscription Agreement and the Put Option Deed, if aggregated under Rule 14.22 of the Listing Rules, represents more than 25% but less than 75% for Nority International, and the entering into of the Disposal Agreement, the Nority Subscription Agreement and the Put Option Deed therefore constitutes a major transaction of Nority International under the Listing Rules and is subject to approval of the Independent Shareholders.

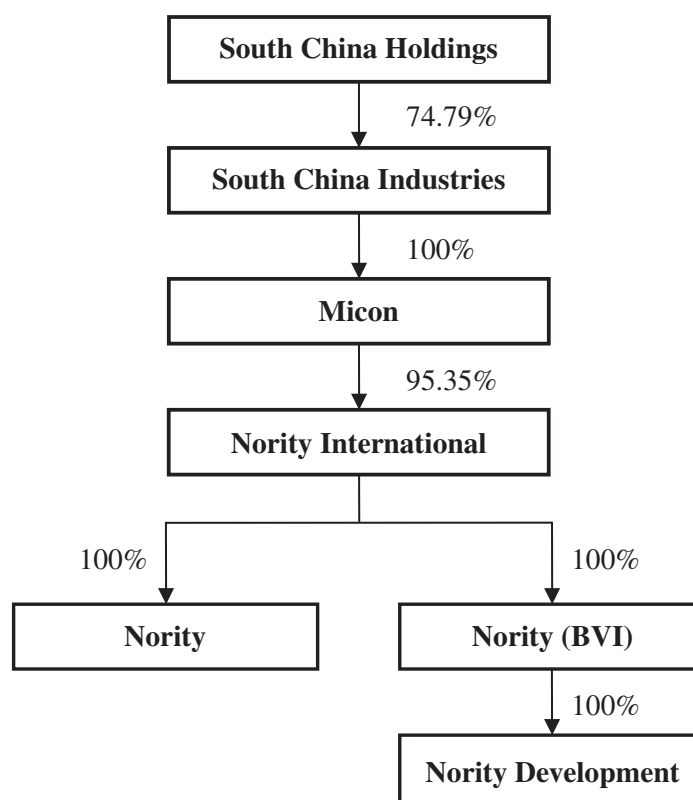
Since the applicable percentage ratios in respect of the Disposal Agreement, the Nority Subscription Agreement and the Put Option Deed, if aggregated under Rule 14.22 of the Listing Rules, represents more than 5% but less than 25% for both South China Holdings and South China Industries, the entering into of the Disposal Agreement, the Nority Subscription Agreement and the Put Option Deed constitutes a discloseable transaction of each of South China Holdings and South China Industries under the Listing Rules.

The Offer

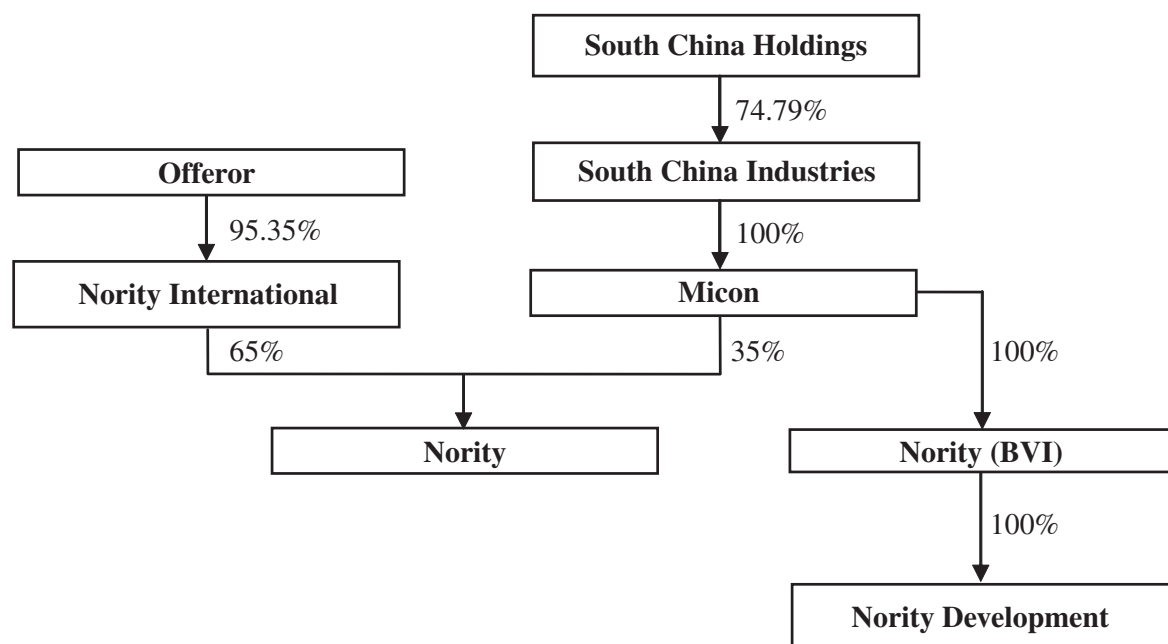
Immediately before the Completion, the Offeror, Mr. Lam, their respective associates and parties acting in concert with them did not own any Shares or the shares of South China Holdings and South China Industries. Upon Completion, the Offeror and parties acting in concert with it in aggregate own 255,885,561 Shares, representing approximately 95.35% of the entire issued share capital of Nority International. Therefore, under Rule 26 of the Takeovers Code, upon Completion, the Offeror will be obliged to make an unconditional general offer for all the issued Shares other than those already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it at HK\$0.412 per Share.

Shareholding structure of Nority International before and after the Completion

(a) Before the Completion (after the restructuring of the Nority Group carried out in September 2006 in which Nority had changed from a subsidiary to a fellow subsidiary of Nority (BVI))



(b) Immediately after the Completion



General

The Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer. Nority International has appointed the Independent Financial Adviser to advise the Independent Shareholders in respect of the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps.

The EGM will be convened to consider and approve the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps. A circular containing particulars of the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps, a letter of advice from the Independent Financial Adviser to the Independent Shareholders and a notice of the EGM to approve the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and the Takeovers Code.

Pursuant to Rule 8.2 of the Takeovers Code, the offer document containing, amongst other things, the terms of the Offer, together with forms of acceptance and transfer, should normally be posted to the Shareholders by or on behalf of the Offeror within 21 days of the date of the announcement of the Offer. The Offeror and Nority International intend to combine the offer document and Nority International's response document in a composite offer and response document. Such composite offer and response document in connection with the Offer setting out, inter alia, details of the Offer (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the Offer will be issued and despatched by the Offeror and Nority International jointly to the Shareholders in accordance with the Takeovers Code. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of the Offer is subject to prior fulfillment of certain conditions precedent and the conditions precedent cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by the Offeror for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such composite offer and response document within 7 days of Completion.

A circular containing, among other things, details of the Agreement, the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement will be sent to the respective shareholders of South China Holdings and South China Industries as soon as practicable in accordance with the Listing Rules.

At the request of Nority International, trading in the Shares has been suspended with effect from 9:30 a.m. on 17 May 2006 as a result of the insufficiency of public float following the mandatory unconditional cash offer by Dao Heng Securities Limited on behalf of Micon to acquire all the issued Shares other than those already beneficially owned or agreed to be acquired by it and parties acting in concert with it (details of which were set out in the response document of Nority International dated 2 May 2006). On 30 August 2006, the Stock Exchange has granted the Waiver from strict compliance with Rule 8.08 of the Listing Rules for the purpose of restoring the public float to not less than 25% of the issued share capital of Nority International. The Waiver has expired on 15 September 2006. Trading in the Shares will remain suspended until the public float is restored.

Shareholders and investors of South China Holdings and South China Industries should note that the Agreement, the Disposal Agreement and the Nority Subscription Agreement are conditional upon the fulfillment of certain conditions. Shareholders and investors of South China Holdings and South China Industries are therefore advised to exercise caution in dealing in the securities of South China Holdings and South China Industries.

Shareholders and investors of Nority International should note that the Agreement, the Disposal Agreement and the Nority Subscription Agreement are conditional upon the fulfillment of certain conditions, and the Offer will only be made if the Agreement becomes unconditional and the Offeror's acquisition of the Sale Shares is completed in accordance with the Agreement. As such, the Offer is a possibility only and may or may not proceed. Shareholders and investors of Nority International are therefore advised to exercise caution in dealing in the securities of Nority International.

I. THE AGREEMENT

Introduction

On 6 November 2006, the Offeror entered into the Agreement with Micon and South China Industries, pursuant to which the Offeror conditionally agreed to acquire, and Micon conditionally agreed to dispose of, the Sale Shares, representing approximately 95.35% of the total issued share capital of Nority International at an aggregate consideration of HK\$105,424,851.13, equivalent to HK\$0.412 per Sale Share.

Date

6 November 2006

Parties

Vendor: Micon

Purchaser: Offeror

Guarantor of the vendor: South China Industries

South China Industries has agreed to guarantee the due observance and performance by Micon of all the agreements, obligations, commitments and undertakings contained in the Agreement on the part of Micon to be observed and performed.

Sale Shares

The Offeror has agreed to acquire the Sale Shares, representing approximately 95.35% of the total issued share capital of Nority International.

Purchase price and payment terms

An aggregate consideration of HK\$105,424,851.13, equivalent to HK\$0.412 per Sale Share, will be paid in cash by the Offeror to Micon or as Micon may direct. Upon signing of the Agreement, a sum of HK\$10 million was paid by the Offeror to the escrow agent, holding as stakeholder. On Completion, the escrow sum of HK\$10 million shall be released by the escrow agent and a sum of HK\$95,424,851.13 shall be paid by the Offeror to Micon or as it may direct.

The consideration was arrived at after arm's length negotiations between Micon and the Offeror, having taken into account the market performance of the Shares prior to suspension of trading in the Shares on 17 May 2006 as a result of the insufficiency of public float following the mandatory unconditional cash offer by Dao Heng Securities Limited on behalf of Micon to acquire all the issued Shares other than those already beneficially owned or agreed to be acquired by it and parties acting in concert with it (details of which were set out in the response document of Nority International dated 2 May 2006) and the Special Dividend to be made subject to the completion of the Disposal, details of which are set out in section II of this announcement headed "Disposal of Nority (BVI) and the Subscription".

Conditions precedent

Completion is conditional upon:

1. The Executive granting "special deal" consent under Rule 25 of the Takeovers Code in respect of the following:
 - (a) the Disposal Agreement and the transactions contemplated thereunder including but not limited to the Rental Agreement and the transactions contemplated thereunder; and
 - (b) the Nority Subscription Agreement and the transactions contemplated thereunder including but not limited to the Joint Venture Deed, the Put Option Deed and the Management Agreement and the respective transactions contemplated thereunder,in accordance with applicable requirements under the Takeovers Code and any conditions attaching to such consent being fulfilled;
2. The passing of all necessary resolutions by the Shareholders (other than such Shareholders who are required to abstain from voting at the general meeting of Nority International pursuant to the requirements under the Takeovers Code and/or the Listing Rules) at the EGM by way of a poll (if required) to approve the agreements, arrangements and transactions referred to in paragraph (1) above;
3. No written or verbal indication or evidence of any indication having been received by any party to the Agreement or Nority International from the Stock Exchange that the trading in the Shares has been suspended for any reason other than the requirement to maintain minimum public float of Nority International under the Listing Rules or the clearance of this announcement;
4. The Disposal Agreement and the Nority Subscription Agreement having become unconditional in accordance with the respective terms thereof (other than the Share Purchase Conditions);
5. No written or verbal indication or evidence of any indication having been received by any party to the Agreement or Nority International from the Stock Exchange or the SFC that as a result of or in connection with the Agreement and/or any or all of the respective agreements referred to in paragraph (1) above and the transactions and arrangements contemplated thereunder:
 - (a) any rules, regulations or requirements of the Stock Exchange and/or the SFC have been, or may or will be, breached; and/or
 - (b) Nority International is, or may or will be, treated as a new listing applicant under the Listing Rules; and/or
 - (c) the listing status of Nority International 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 requirement to maintain minimum public float of Nority International under the Listing Rules or the clearance of this announcement;

6. A written independent shareholders' approval of South China Industries and/or South China Holdings (being the ultimate holding company of South China Industries) pursuant to Rule 14A.43 of the Listing Rules approving the transactions contemplated under the Management Agreement, the Rental Agreement and/or the Joint Venture Deed having been delivered to the Offeror, if such approval is required under the Listing Rules;
7. The warranties set out in the Agreement having remained true and accurate, and not misleading in all material respects, at all times from the date of the Agreement up to and including the Completion Date;
8. All other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Agreement having been obtained by the respective parties to the Agreement;
9. Micon and South China Industries having fulfilled all their obligations and undertakings contained in the Agreement; and
10. The Offeror having notified to Micon that it is reasonably satisfied with the due diligence review.

Save that the Offeror may waive any of the above conditions (except the conditions set out in paragraphs (1), (2), (4) and (6) above) at any time by notice in writing to Micon, no other party to the Agreement may waive any of the above conditions.

In the event any of the above conditions (other than the condition set out in paragraph (10) above) shall not have been fulfilled (or waived by the Offeror) prior to 16 February 2007, or such other date as may be agreed in writing by the parties to the Agreement, and the condition set out in paragraph (10) above shall not have been fulfilled (or waived by the Offeror) prior to the DD Long Stop Date, the escrow sum of HK\$10 million (including any interest accrued thereon) shall be returned to the Offeror and the Agreement shall forthwith terminate and all rights and obligations of the parties to the Agreement shall cease to have effect immediately. In such case, further announcement(s) in relation to the Offer will be made as and when appropriate.

Others

Pursuant to the Agreement:

1. Micon undertook with the Offeror that at any time prior to Completion, Micon has the right to procure Nority International to declare and pay cash dividends to the Shareholders (i.e. shareholders of Nority International) provided that the total amount of such dividends shall not exceed HK\$60 million.
2. Micon and South China Industries have given the following warranties:
 - (a) Nority International will have as at Completion (assuming simultaneous completion of the Disposal Agreement and the Nority Subscription Agreement and after deducting the dividends payable as mentioned in paragraph 1 above) cash in an aggregate amount of not less than HK\$24,000,000.
 - (b) Nority International will have as at Completion total liabilities (excluding any dividends payable as mentioned in paragraph 1 above but including all professional and other expenses of any kind which may be incurred for the purpose of the transactions contemplated by or in connection with the Agreement) of not exceeding HK\$14,000,000 among which HK\$10,000,000 consists of a non-interest bearing loan owing by Nority International to South China Industries and/or its subsidiaries which is not callable by South China Industries and/or its subsidiaries during the first 24 calendar months after the Completion Date.

Completion

Completion will take place on the second Business Day (or such other date as the parties to the Agreement may agree in writing) after the day on which the last of the Share Purchase Conditions (other than those Share Purchase Conditions that shall be fulfilled or waived on Completion) is fulfilled or waived in accordance with the Agreement and Completion shall take place simultaneously with the completion of the Disposal and the Subscription.

Under Rule 26 of the Takeovers Code, once the Transaction is completed, the Offeror will be required to make the Offer. The terms of the Offer are set out under the section headed “The Offer” below.

Financial impact of the Agreement on SCH Group and SCI Group

Upon Completion, Nority International shall cease to be a subsidiary of South China Holdings and South China Industries. South China Holdings and South China Industries will recognise a gain on disposal of subsidiary and an increase in net asset value of approximately HK\$74 million calculated based on their attributable interests of approximately 95.35% in Nority International and the unaudited net asset value of approximately HK\$92 million as at 30 June 2006 according to Nority International’s interim report (after adjusted for the payment of Special Dividend of HK\$60 million, the exact amount of which is subject to final decision by the board of directors of Nority International) was approximately HK\$31 million and the gross proceeds of the Transaction is approximately HK\$105 million. The net proceeds from the Transaction will be used to settle the considerations to be paid under the Disposal Agreement and the Nority Subscription Agreement and for general working capital purpose of the SCI Group.

Listing Rules implication on South China Holdings and South China Industries

Since the applicable percentage ratios in respect of the Transaction represents more than 5% but less than 25% for both South China Holdings and South China Industries, the entering into of the Agreement constitutes a discloseable transaction of each of South China Holdings and South China Industries under the Listing Rules.

In addition, to the best of the knowledge, information and belief of the directors of both South China Holdings and South China Industries after having made reasonable enquiries, the Offeror and its beneficial owners are Independent Third Parties and not parties acting in concert with the SCH Group and the SCI Group.

II. DISPOSAL OF NORITY (BVI) AND THE SUBSCRIPTION

(A) THE DISPOSAL AGREEMENT

On 6 November 2006, Nority International entered into the Disposal Agreement to dispose of and assign the Nority (BVI) Sale Shares and the Nority (BVI) Sale Loan to Micon.

Parties

Vendor:	Nority International
Purchaser:	Micon
Guarantor of the purchaser:	South China Industries

South China Industries has agreed to guarantee the due and punctual performance and observance by Micon of its obligation to pay the consideration of HK\$75,555,000 under the Disposal Agreement.

Assets to be disposed of

Pursuant to the Disposal Agreement, Micon has agreed to acquire and Nority International has agreed to dispose of and assign, subject to the terms and conditions of the Disposal Agreement, the Nority (BVI) Sale Shares, representing the entire issued share capital of Nority (BVI), and the Nority (BVI) Sale Loan. After completion of the Disposal, Nority (BVI) will cease to be a subsidiary of Nority International and will become a wholly-owned subsidiary of Micon.

Conditions precedent

The sale and purchase of the Nority (BVI) Sale Shares and the assignment of the Nority (BVI) Sale Loan is conditional upon the following conditions:

1. the passing by the Shareholders (other than those prohibited from voting under the Listing Rules and/or the Takeovers Code, if applicable) of all necessary resolutions by way of poll at the EGM approving the Disposal Agreement and the transactions contemplated thereunder which would constitute a special deal under the Takeovers Code;
2. the grant by the Executive of his consent pursuant to Rule 25 of the Takeovers Code in relation to the entering into of the Disposal Agreement; and
3. completion of the Agreement and the Nority Subscription Agreement.

None of the parties to the Disposal Agreement has the right to waive any of the conditions above.

In the event any of the above conditions has not been fulfilled on or prior to 16 February 2007 or such other date as may be agreed by the parties to the Agreement, then either Nority International or Micon shall not be bound to proceed with the sale and purchase of the Nority (BVI) Sale Shares and the assignment of the Nority (BVI) Sale Loan, whereupon the Disposal Agreement shall be terminated save in respect of claims arising out of any antecedent breach of the Disposal Agreement.

Consideration

Upon completion of the Disposal, Micon agrees to pay to Nority International a total of HK\$75,555,000 in cash as consideration for the Nority (BVI) Sale Shares and the Nority (BVI) Sale Loan. The full amount of the consideration payable by Micon is intended to be financed by the net proceeds from the Transaction.

The consideration was arrived at after arm's length negotiations between Micon and Nority International with reference to the unaudited consolidated net asset value of Nority (BVI) (excluding Nority) as at 30 June 2006 and book value of the Nority (BVI) Sale Loan as at 6 November 2006, which were approximately HK\$43 million and HK\$25 million respectively.

Completion

Completion of the Disposal shall take place simultaneously with the completion of the Transaction and the Subscription on the Completion Date. Upon completion of the Disposal, Nority (BVI) will become a wholly-owned subsidiary of Micon and its financial results together with the financial results of its subsidiaries will be consolidated into the accounts of Micon.

Intended application of the sale proceeds

Subject to the completion of the Disposal, Nority International will apply part of the proceeds from the Disposal of not exceeding HK\$60 million for the Special Dividend to be made to all existing Shareholders (including Micon which is expected to receive not more than approximately HK\$57.21 million from the Special Dividend) whose names appear on the register of members of Nority International on the date of the EGM. Shareholders are entitled to the Special Dividend irrespective of whether he/she accepts the Offer or not during the offer period. As such, the Shares tendered to the Offeror will be excluded from the entitlements of the Special Dividend. The exact amount of the Special Dividend to be distributed is subject to final decision by the board of directors of Nority International. The remaining proceeds from the Disposal will be used for general working capital purpose of the Nority Group.

Information on Nority (BVI)

Nority (BVI), a company incorporated in the BVI and a wholly-owned subsidiary of Nority International, is principally engaged in the business of investment holding. Its subsidiaries were principally engaged in the holding of the Premises used by Nority and a partially constructed plant in the PRC, the construction of which was suspended due to excess capacity of the Nority Group, two office premises and car parking spaces that are partially vacant or occupied by the Taiwan branch of Wilken Footwear Limited and Wilken Investment Limited, both subsidiaries of Nority (BVI), and a vacant composite property (including a shop unit, a residential unit, a car parking space and a motorcycle parking space) in Taiwan, and securities, in each case for long-term investment purposes.

Subsequent to the mandatory unconditional cash offer made by Micon in respect of Shares other than those already beneficially owned by it and parties acting in concert with it, which was closed on 16 May 2006, in order to streamline its operation and rationalise the structure of Nority Group, Nority International underwent a restructuring in September 2006, after which Nority, the principal operating subsidiary of the Nority Group, changed from a subsidiary to a fellow subsidiary of Nority (BVI). In addition, since July 2006, Nority International had transferred the footwear businesses previously carried out by Nority (BVI)'s operating subsidiaries (which were mainly the provision of subcontracting and sourcing services to other subsidiaries of Nority (BVI) (including Nority), and export and direct sales of footwear) to Nority.

As at 30 June 2006, the unaudited consolidated net asset value of Nority (BVI) (excluding Nority) amounted to approximately HK\$43 million. All properties held by Nority (BVI) will be revalued by independent professional valuer which will be disclosed in the composite offer and response document.

For the year ended 31 December 2004, the unaudited consolidated revenue and profit before and after taxation of Nority (BVI) and its subsidiaries (excluding Nority) were approximately HK\$33.8 million, HK\$0.2 million and HK\$1.5 million respectively. For the year ended 31 December 2005, the unaudited consolidated revenue and loss before and after taxation of Nority (BVI) and its subsidiaries (excluding Nority) were approximately HK\$35.6 million, HK\$21.9 million and HK\$15.2 million respectively. The revenues principally represented export and direct sales of footwear and provision of subcontracting and sourcing services to other subsidiaries of Nority (BVI) (including Nority), the business of which has been transferred to Nority.

Information on Micon

Micon, a company incorporated in Hong Kong with limited liability on 1 July 1988, is a substantial shareholder of Nority International. Micon has been an investor in Nority International since 1990. Micon and the parties acting in concert with it own the Sale Shares, representing approximately 95.35% of the entire issued share capital of Nority International.

Micon is a wholly-owned subsidiary of South China Industries which is itself a subsidiary of South China Holdings. As at the date of this announcement, the principal activity of Micon is investment holding in Nority International, the latter being a company, the shares of which are listed on the Stock Exchange, with its subsidiaries principally engaged in the manufacture and export of athletic and athletic-style leisure footwear, as well as the manufacture of working shoes, safety shoes, golf shoes and other functional shoes.

(B) THE SUBSCRIPTION

(i) The Nority Subscription Agreement

On 6 November 2006, Nority International, Nority and Micon entered into the Nority Subscription Agreement under which Micon has agreed to subscribe for 35 A Shares, representing 35% of the enlarged issued A Shares and 35% of the voting rights at general meetings of Nority after completion of the Subscription. Upon completion of the Subscription, Nority will be converted from a wholly-owned subsidiary to a non-wholly-owned subsidiary of Nority International, in which Nority International and Micon will be interested in 65% and 35% of the issued A Shares respectively, to be operated and managed under the terms and conditions prescribed under the Joint Venture Deed. On the other hand, Micon (as a wholly-owned subsidiary of South China Industries which in turn is a subsidiary of South China Holdings) will account its 35% interest in the A Shares as “investments in associates”.

Parties

Issuer: Nority

Subscriber: Micon

Other: Nority International

Shares to be subscribed for

35 A Shares representing 35% of the enlarged issued A Shares and 35% of the voting rights at general meetings of Nority upon completion of the Subscription.

Terms

Nority is a private company incorporated in Hong Kong with limited liability and as at the date of this announcement has an authorised capital of HK\$12,010,000 divided into 10,000 A Shares and 12,000,000 B Shares, out of which 65 A Shares and 12,000,000 B Shares have been issued and are fully paid up and are beneficially and directly owned by Nority International.

Nority has agreed to allot and issue to Micon and Micon has agreed to subscribe for the Subscription Shares which will enable Micon to exercise or control the exercise of 35% of the voting rights at general meetings of Nority upon completion of the Subscription.

Consideration

Upon completion of the Subscription, Micon shall pay to Nority a total of HK\$3.52 million in cash as consideration for the Subscription Shares. The full amount of the consideration payable by Micon is intended to be financed by the net proceeds from the Transaction and/or the internal resources of Micon or South China Industries.

The consideration was arrived at after arm's length negotiations between Nority and Micon taking into account the audited net asset value of Nority as at 31 December 2005 of approximately HK\$56.2 million, the interim dividend of HK\$16 million declared and distributed by Nority in August 2006, and the audited loss after tax of Nority of approximately HK\$35.6 million for the year ended 31 December 2005. The consideration of HK\$3.52 million represents a discount of approximately 77% to the attributable net asset value of Nority as at 31 December 2005 as enlarged by the Subscription being adjusted for the distribution of the aforementioned interim dividend. Having considered the above factors, in particular, the audited loss after tax of Nority for the year ended 31 December 2005 and past operating results of Nority, the respective directors of Nority International, South China Holdings and South China Industries consider that the Subscription Agreement is on normal commercial terms and is fair and reasonable.

The directors of South China Holdings and South China Industries also consider that the Subscription would allow Micon, a subsidiary of both South China Holdings and South China Industries, to continue participating in the footwear business of Nority for the benefits of its own footwear operation.

Conditions

Completion of the Subscription shall be conditional upon the following conditions:

1. the passing by the Shareholders (other than those prohibited from voting under the Listing Rules and/or the Takeovers Code, if applicable) of all necessary resolutions by way of poll at the EGM approving the Nority Subscription Agreement and the transactions contemplated thereunder which would constitute a special deal under the Takeovers Code;
2. the grant by the Executive of his consent pursuant to Rule 25 of the Takeovers Code in relation to the entering into of the Nority Subscription Agreement; and
3. completion of each of the Agreement and the Disposal Agreement.

None of the parties to the Nority Subscription Agreement has the right to waive any of the above conditions. In the event that any of the conditions set forth above shall not have been fulfilled prior to 16 February 2007 or such other date which may be agreed by the parties to the Nority Subscription Agreement, then either Nority or Micon shall not be bound to proceed with the Subscription and the Nority Subscription Agreement shall cease to have any effect save in respect of claims arising out of any antecedent breach of the Nority Subscription Agreement.

Completion

Completion of the Subscription shall take place simultaneously with the completion of the Transaction and the Disposal on the Completion Date. Upon completion of the Subscription, Nority will be accounted for as an associated company by each of South China Holdings and South China Industries and accounted for as a non-wholly-owned subsidiary by Nority International.

Information on Nority

Nority, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Nority International, is principally engaged in the business of manufacture and export of footwear. Nority has no subsidiary or associated company as at the date of this announcement.

For the year ended 31 December 2004, the audited revenue and loss before and after taxation of Nority were approximately HK\$225.7 million, HK\$29.0 million and HK\$29.0 million respectively. For the year ended 31 December 2005, the audited revenue and loss before and after taxation of Nority were approximately HK\$262.1 million, HK\$35.6 million and HK\$35.6 million respectively. The revenues represented sales of footwear. As at 31 December 2005, the audited net asset value of Nority amounted to approximately HK\$56.2 million. Nority declared and distributed a dividend of HK\$16 million in August 2006. An office premise in Hong Kong held by Nority will be revalued by independent professional valuer which will be disclosed in the composite offer and response document.

(ii) The Joint Venture Deed

In order to facilitate the operation, financing and management of Nority, it is intended that the Joint Venture Deed, the Put Option Deed and the Management Agreement will be entered into upon completion of the Subscription.

After arm's length negotiations, Nority International intends to enter into the Joint Venture Deed with Micon and Nority on the Completion Date.

Date

To be entered into on the Completion Date

Parties

(1) Nority International

(2) Micon

(3) Nority

Board of directors

The maximum number of directors for Nority shall be five of whom Nority International shall have the right to appoint and remove up to three directors and Micon shall have the right to appoint and remove up to two directors.

Approval of the board of directors

Apart from certain matters which require the unanimous approval of the board of directors of Nority, questions arising at any meeting of the board of directors of Nority shall be decided by a simple majority and in the case of any equality of votes, the chairman shall not have a second or casting vote.

Funding

For the period prior to the 24th month after the Completion Date, Nority may satisfy its funding requirement by borrowing (a) from banks or other financial institutions on commercially reasonable terms; or (b) subject to compliance with the Listing Rules by each of Nority International, South China Holdings and South China Industries, from South China Strategic (as manager under the Management Agreement as described below) on terms that are no less favourable than those offered by banks or other financial institutions to Nority for the same amount of loan.

If Nority requires additional funding for its working capital or other purposes after 24 months from the Completion Date, apart from obtaining funding from banks or other financial institutions, the board of directors of Nority may request the shareholders of Nority, namely Nority International and Micon, to contribute additional funds in the form of interest-bearing shareholders' loans (bearing an interest rate at Prime Rate plus 1%) pro-rata to their respective shareholding interests in Nority.

If either Nority International or Micon chooses not to contribute all or any part of its portion of the requested fund, the other shareholder of Nority which contributes in full its portion of the requested fund shall have the right to apply such portion of the contributed fund for subscription in new A Shares at a subscription price per A Share equal to the then net asset value or the par value, whichever is higher, of each A Share.

For the avoidance of doubt, neither South China Strategic, Nority International nor Micon has committed to provide any fixed amount of financing to Nority under the Joint Venture Deed. In the event that (i) further financing is required by Nority after 24 months from the Completion Date, or (ii) either of the shareholders of Nority (namely, Nority International and Micon) elects to apply its contributed fund to Nority for subscription in new A Shares as mentioned above, each of Nority International, South China Holdings and South China Industries has to comply with the applicable Listing Rules at the time when South China Strategic, Nority International or Micon is required to provide financing to Nority or elects to subscribe for new A Shares under the Joint Venture Deed.

(iii) The Put Option Deed

Date

To be entered into on the Completion Date

Parties

Grantor: Micon

Grantee: Nority International

Guarantor: South China Industries

Micon will grant a put option to Nority International whereby Nority International is entitled to request Micon to purchase from Nority International 65 A Shares and 12,000,000 B Shares, representing 65% of the issued A Shares and 65% of the voting rights at general meetings of Nority and 100% of the issued B Shares, at an aggregate exercise price of HK\$10,500,000. The Put Option may be exercised by Nority International at any time during the period commencing from (and including) the day falling 24 months after the date of signing of the Put Option Deed and ending on (and including) the day falling 30 months after the date of signing of the Put Option Deed.

South China Industries as guarantor shall guarantee to Nority International the due and punctual performance and observance by Micon of its obligations to pay the exercise price of HK\$10,500,000 under the Put Option Deed.

The consideration was arrived at after arm's length negotiations between Micon and Nority International taking into account the attributable interest represented by the Option Interest based on the audited net asset value of approximately HK\$56.2 million of Nority as at 31 December 2005, the subscription money of HK\$3.52 million from the Subscription pursuant to the Nority Subscription Agreement, the dividend payment declared and distributed by Nority in August 2006, and the audited loss after tax of Nority of approximately HK\$35.6 million for the year ended 31 December 2005. Having considered the above factors, in particular, the audited loss after tax of Nority for the year ended 31 December 2005, the respective directors of Nority International, South China Holdings and South China Industries consider that the Put Option Deed is on normal commercial terms and is fair and reasonable. In view of the synergy effect on economies of scale from takeover of control of Nority upon the exercise of the Put Option, the directors of South China Holdings and South China Industries are of the view that the consideration is fair and reasonable and is in the interests of South China Holdings and South China Industries and their respective shareholders as a whole.

At present, the directors of Micon intend to satisfy the consideration for the Put Option by its internal resources.

Premium

In consideration for the granting of the Put Option, Nority International is required to pay to Micon a premium of HK\$1.

Completion

Completion of the transfer of the Option Interest shall take place on the third Business Day following the receipt by Micon of the notice to exercise the Put Option.

Listing Rules implications on Nority International

Since the exercise of the Put Option is at the discretion of Nority International, pursuant to Rules 14.75(1) and 14A.70 of the Listing Rules, only the premium will be taken into consideration for the purpose of classification of the transaction. Since the applicable percentage ratios in respect of premium on the acquisition of the Put Option represents less than 0.1% for Nority International, the acquisition of the Put Option will be a de minimis transaction exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3) of the Listing Rules.

The exercise of the Put Option by Nority International will be made in accordance with the requisite requirements under the Listing Rules. In particular, Nority International, in exercising the Put Option, will consider whether, upon the disposal of the Option Interest, it will continue to have a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated to the Stock Exchange to warrant the continued listing of the Shares in accordance with Rule 13.24 of the Listing Rules.

(iv) The Management Agreement

To leverage on the expertise of the management team of South China Strategic in the management and operation of the business of Nority, Nority International and Nority intend to enter into the Management Agreement on the Completion Date with Nority to engage South China Strategic to manage and operate Nority.

Date

To be entered into on the Completion Date

Parties

- (1) Nority International
- (2) Nority
- (3) South China Strategic (as the manager)

Term

The appointment of South China Strategic by Nority shall be for a term of three years commencing on the Completion Date and subject to the termination right of Nority as mentioned below and compliance with the Listing Rules requirements by Nority International, in particular, the obtaining of the approval of the Independent Shareholders, the term of appointment of South China Strategic as the manager under the Management Agreement can be renewed for a further term of three years. However, should Nority decide not to renew the appointment of South China Strategic as the manager for a further term of three years, a termination notice will have to be served by Nority on South China Strategic at least one year before the date falling three years from the Completion Date. Since the existing footwear business of Nority has been solely managed by the employees from South China Industries, Nority expects that it needs a certain period of time to build up its own team of management which includes, but not limited to, sales and marketing, customer relations and production. In addition, it has to establish its own business direction and strategy and to expand its clientele.

Services to be provided

South China Strategic agrees to provide to Nority, from time to time, all management services that is customary and usual for the operation of similar business and that South China Strategic shall consider appropriate for the proper conduct and operation of Nority, subject to and in compliance with the Listing Rules and all other applicable regulatory requirements, and all necessary advice and guidance in respect thereof during the term of the Management Agreement, including but not limited to:

- (1) taking overall management and supervision responsibilities of the business of Nority and setting up the business direction and selling and marketing policies for Nority;
- (2) providing guidance and advice to Nority from time to time in relation to the enhancement of the business operations and internal control systems of Nority; and
- (3) such other services which are incidental to the above services or as agreed by South China Strategic from time to time.

South China Strategic shall have the sole discretion to employ or terminate the employment of any staff employed in the business of Nority, to determine and (on behalf of Nority) pay and grant such remuneration, benefits and other incentives to be payable or granted by Nority to any staff employed in the business of Nority including, without limitation, the payment of any bonus.

Notwithstanding the aforesaid, South China Strategic shall at all times follow all and any lawful instructions given by the board of directors of Nority from time to time when providing any management services described above to Nority in accordance with the provisions of the Management Agreement. South China Strategic shall discharge all its duties in a professional manner and shall keep the board of directors of Nority reasonably informed of the matters concerning the operations and management of the business of Nority.

In addition, the directors of Nority International would oversee the performance of South China Strategic, including the following:

1. having regular meetings with South China Strategic to review and assess its performance;
2. discussing with South China Strategic from time to time on all material matters concerning the operations and management of the business of Nority;
3. controlling all financial related matters; and
4. all strategic plans, including annual budget and cost plan, and business plans of Nority presented by South China Strategic have to be approved by the board of Nority, which Nority International is entitled to nominate up to three out of five directors of Nority.

Management fees and payment terms

In consideration for the provision of the management services by South China Strategic and in consideration of Micon paying its portion of the management fee for the management services by South China Strategic, Nority International shall pay to South China Strategic a management fee in the sum of HK\$2 million for each of the first three years after the Completion Date and thereafter, in the event that Nority exercises its right to renew the appointment of South China Strategic as the manager to operate the operation of the business of Nority as mentioned above, to be determined based on 10% of the accrued turnover of Nority in preceding year.

The management fee of HK\$6 million for the first three years after the Completion Date is payable in advance by Nority International to South China Strategic on the Completion Date. In the event that the Management Agreement is terminated during the term of the services (the Management Agreement can only be terminated by Nority in the cases, but not limited to the following, that South China Strategic commits any serious breach of the provisions under the Management Agreement or South China Strategic is proven to have carried out any fraudulent activity, whereas South China Strategic has no right to terminate the Management Agreement), the management fee paid (or due to be paid) by Nority International to South China Strategic in respect of the management services not yet provided shall be retained by South China Strategic. With respect to the management services to be provided after the third year from the Completion Date, the management fee should be paid by Nority International annually in advance to South China Strategic. The full amount of the management fee for the first three years after the Completion Date is intended to be financed by the net proceeds from the Disposal and/or Nority International's internal resources.

The consideration was arrived at after arm's length negotiations between South China Strategic and Nority International with reference to expected cost required in the management of Nority.

The directors of Nority International are of the view that the entering into of the Management Agreement is beneficial to the operation of the Nority Group as it can capitalize on the experience and expertise of the management team of South China Strategic in the footwear industry. If Nority International decide not to renew the Management Agreement, it can serve a notice on South China Strategic one year before the date falling three years from the Completion Date. Accordingly, the directors of Nority International consider that the securing of management services from South China Strategic at a rate determined with reference to the expected cost for the provision of such management services under the current terms of the Management Agreement is beneficial to Nority International.

Proposed cap

Based on the terms of the Management Agreement, the directors of Nority International propose that the maximum aggregate management fees contemplated under the Management Agreement for each of the first three years after the Completion Date shall be HK\$2 million per year.

Basis of the cap

The cap proposed for the Management Agreement is determined by reference to the agreed management fees under the Management Agreement.

Information on South China Strategic

The principal activities of South China Strategic are investment and property holding, information technology business and provision of management services. The principal activities of its subsidiaries are travel services related business, property investment, information and technology related business and agricultural business. In addition, the footwear manufacturing operation under South China Industries, the intermediate holding company of South China Strategic, whose management team mostly resembles that of the SCI Group, was awarded “International Supplier of the Year 2005” by Wal-Mart, a major customer of the footwear manufacturing operation, for three consecutive years. The management team of South China Strategic has extensive experience in footwear business. In view of the extensive experience of the management team of South China Strategic in footwear business, South China Strategic has adequate ability to provide management services under the Management Agreement. South China Strategic will appoint those management staff with experience in the footwear business to carry out the responsibilities as prescribed under the Management Agreement.

(v) The Rental Agreement

For the continuing operation of Nority, Nority intends to enter into the Rental Agreement on the Completion Date with Nority Development to lease back the Rented Premises for the business operation of Nority.

Parties

Lessor: Nority Development

Lessee: Nority

Premises leased

The Rented Premises, being part of the factory building, Nority Industrial Building, No. 4 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC. The Rented Premises are currently used by Nority as factory workshop and dormitory.

Term of the lease

The term of the lease under the Rental Agreement is 24 months from 1 January 2007 to 31 December 2008.

Consideration

Under the Rental Agreement, Nority agrees to pay Nority Development a monthly rental of RMB224,245.28 for the rental area of 28,030.66 sq.m. and Nority is responsible for payment of electricity and water charges and cleaning and management fees.

The consideration was arrived at after arm's length negotiations between Nority Development and Nority with reference to market rental of the surrounding factory premises.

Proposed cap

Based on the terms of the Rental Agreement, the directors of Nority International propose that the maximum annual aggregate rent contemplated under the Rental Agreement shall not exceed RMB2.7 million (equivalent to approximately HK\$2.65 million).

Basis of the cap

The cap proposed for the Rental Agreement is determined by reference to the agreed monthly rental under the Rental Agreement.

Information on Nority Development

Nority Development is a company incorporated in the BVI and a wholly-owned subsidiary of Nority International. Its principal activity is the holding of the Premises.

(C) LISTING RULES AND TAKEOVERS CODE IMPLICATIONS

Special Deals (namely the Connected and Continuing Connected Transactions) and Major Transactions

Nority International

The Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement constitute special deals under Rule 25 of the Takeovers Code, and therefore require the consent of the Executive. Such consent, if granted, will be conditional upon the approval of the Independent Shareholders voting by way of a poll at the EGM.

As at the date of this announcement, Micon is the controlling shareholder of Nority International. Under the Listing Rules, Micon is regarded as a connected person of Nority International. Accordingly, the entering into of the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed and the Put Option Deed constitutes connected transactions of Nority International under Chapter 14A of the Listing Rules. Since the applicable percentage ratios in respect of the Connected Transactions, if aggregated under Rule 14A.25 of the Listing Rules, represents more than 2.5% (and the total consideration is more than HK\$10,000,000) for Nority International, the entering into of the Connected Transactions is subject to approval of the Independent Shareholders.

Since Micon will be a substantial shareholder of Nority upon completion of the Subscription and South China Strategic and Micon are wholly-owned subsidiaries of South China Industries, South China Strategic will be regarded as a connected person of Nority International upon completion of the Subscription. Furthermore, since Nority Development will become a wholly-owned subsidiary of Micon upon completion of the Disposal, Nority Development will then be regarded as a connected person of Nority International. Under such circumstances, the payment of the management fee under the Management Agreement and the rental under the Rental Agreement by Nority International will constitute non-exempt continuing connected transactions of Nority International under the Listing Rules. The Continuing Connected Transactions and the Proposed Caps will be subject to the Independent Shareholders' approval requirement under Rule 14A.48 of the Listing Rules and to the annual review requirement and the reporting requirement under Rules 14A.37 to 14A.41 and Rules 14A.45 and 14A.46 of the Listing Rules.

Since Micon has an interest in the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps, Micon, its associates and any shareholders who are involved in or interested in the Special Deals will abstain from voting for the resolutions to approve the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps at the EGM.

Since the Nority Subscription Agreement, the Disposal Agreement and the Put Option Deed were entered into or will be entered into by Nority International with Micon which, among other things, involve or will involve the disposal of an interest in the existing subsidiaries of Nority International, the transactions contemplated under such agreements will be treated as if they were one transaction pursuant to Rule 14.22 of the Listing Rules. The respective applicable percentage ratios in respect of such agreements, when aggregated, represents more than 25% but less than 75% for Nority International. As such, the entering into of the Nority Subscription Agreement, the Disposal Agreement and the Put Option Deed constitutes a major transaction of Nority International under Chapter 14 of the Listing Rules and is subject to approval of the Independent Shareholders.

South China Holdings and South China Industries

Since the exercise of the Put Option is not at the discretion of South China Industries, pursuant to Rule 14.74(1) of the Listing Rules, the Put Option Deed will be classified as if the Put Option had been exercised. Since the applicable percentage ratios in respect of the Disposal Agreement, the Nority Subscription Agreement and the Put Option Deed as if the Put Option had been exercised, when aggregated, represent more than 5% but less than 25% for both South China Holdings and South China Industries, the entering into of the Disposal Agreement, the Nority Subscription Agreement and the Put Option Deed constitutes a discloseable transactions of each of South China Holdings and South China Industries under the Listing Rules.

(D) REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENTS

Nority International

Upon Completion, Nority International will cease to be a subsidiary of South China Holdings and South China Industries and South China Holdings and South China Industries will cease to hold any interest in Nority International.

The purpose of entering into the Disposal Agreement by Nority International is to divest its low-yield (or even loss-making) non-core business assets (excluding the Rented Premises) and to rationalise the structure of the Nority Group such that the Nority Group in the future can focus its resources on the core footwear business and on exploring other more promising business opportunities. The Disposal also allows the Nority Group to release capital from such non-core business assets (excluding the Rented Premises) so as to return excessive funds to the Shareholders. Nority International has agreed to dispose of the Premises held by Nority (BVI) since the utilisation rate by Nority International of the Premises was relatively low where, in terms of the total gross floor area of the Premises, only approximately 50% of the production area and approximately 40% of the quarters and dormitory and other ancillary facilities areas are currently utilised by Nority. Since Nority has only utilised a relatively small portion of the Premises for its operation and the directors of Nority International consider that it is not economically efficient to only dispose of the unutilised part of the Premises which is currently under one land use right certificate, the directors of Nority International consider disposing of the Premises under the Disposal Agreement is in the interest of Nority International as it may help Nority International in reducing unnecessary utilities, maintenance and incidental expenditure. By entering into the Rental Agreement, Nority can lease back the Rented Premises for its operation without the need to relocate its current production facilities after the Disposal.

The entering into of the Nority Subscription Agreement enables Nority to have a larger capital base and have Micon, being a subsidiary of South China Industries, as a minority shareholder of Nority such that Nority can benefit from South China Industries' experience and expertise in the footwear industry.

On the other hand, the Joint Venture Deed, the Management Agreement and the Rental Agreement allow for a smooth migration after the change in management of Nority International to prevent significant disruption to the Nority Group's existing operation which is beneficial to Nority International and its Shareholders.

As the premium for the Put Option is only HK\$1, as far as Nority International is concerned, having the Put Option will incur only nominal cost for Nority International, but it will provide flexibility to Nority International to dispose of the footwear business if it considers appropriate when the footwear business performance is not satisfactory.

The terms of the Nority Subscription Agreement, the Disposal Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement have been arrived at after arm's length negotiations among the relevant parties. The executive directors of Nority International believe that the transactions contemplated under those agreements are on normal commercial terms, and such terms are fair and reasonable and are in the interests of Nority International and the Shareholders as a whole, and will not result in scaling down of the footwear business of the Nority Group.

South China Holdings and South China Industries

As stated in the offer document issued by Micon dated 10 April 2006 relating to the mandatory unconditional cash offer to acquire all the issued Shares other than those already owned by it, Micon would conduct a review on the business activities and assets of the Nority Group for the purpose of formulating business strategies for the future business development of the Nority Group. The principal reason for entering into the Agreement by Micon is that the directors of South China Holdings and South China Industries consider that, through the entering into of the Agreement, Micon is able to dispose of the Sale Shares at a considerably reasonable price taking into account the aggregate consideration of HK\$105,424,851.13 for the Sale Shares (or HK\$0.412 per Share) as well as the entitlement of the Special Dividend of not more than approximately HK\$57.21 million representing approximately HK\$0.22 per Share, the exact amount of which is subject to final decision by the board of directors of Nority International. When aggregating the consideration for the Sale Shares per Share and the Special Dividend per Share (assuming the Special Dividend is HK\$60 million), Micon can receive approximately HK\$0.632 per Share which represents a premium of approximately 34% over the closing price of HK\$0.47 per Share as quoted on the Stock Exchange on 16 May 2006, being the last trading day prior to the suspension of trading of the Shares on 17 May 2006. In addition, by disposing of the Sale Shares, certain costs relating to maintaining a listing vehicle, namely Nority International, can be saved by South China Holdings and South China Industries.

On the other hand, the directors of South China Holdings and South China Industries consider that the entering into of the Disposal Agreement will allow South China Industries to retain the spare production capacity held by Nority (BVI) in the PRC for its own expansion use while the entering into of the Nority Subscription Agreement and upon Completion, the Joint Venture Deed will allow South China Industries to continue participating in the footwear business of Nority for the benefits of its own footwear operations through the potential synergy effects including, but not limited to, increased bargaining power of their procurement function and the sharing of latest market research. At the same time, South China Holdings and South China Industries can concentrate more of their resources on the investment and development of their existing businesses, including but not limited to the manufacturing and trading of toys, compressors, footwear, metal tooling, leather products, motors, machinery, capacitors, clothing, property investment and development, agriculture, information technology and travel related businesses, with potentially enormous savings from the requirements for maintaining a listed issuer, Nority International.

The directors (including the independent non-executive directors) of South China Holdings and South China Industries consider that the entering into of the Put Option Deed with Nority International serves the purpose of a downside protection that help to entice the Offeror to enter into both the Agreement and the Subscription Agreement to join force with the SCH Group and the SCI Group in exploring opportunities in the footwear business for their mutual benefits. At the same time, they are also of the view that, in the event that Nority International exercises the Put Option and South China Industries obtains indirect control of 100% of the equity interest in Nority and all the non-core businesses currently held by Nority International, South China Industries will be able to take advantage through the achievement of further economies of scale by integrating the footwear operating business of Nority with the SCI Group's business. On the other hand, the Management Agreement and the Rental Agreement are expected to generate stable income stream to the SCH Group and the SCI Group during the term of such agreements. Hence, the directors (including the independent non-executive directors)

of South China Holdings and South China Industries are of the view that the terms of the Agreement (together with the ancillary transactions contemplated thereunder comprising those contemplated under the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement) are in the interests of South China Holdings, South China Industries and their respective shareholders as a whole.

The directors (including the independent non-executive directors) of South China Holdings and South China Industries believe that the transactions contemplated under the Agreement, the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement are on normal commercial terms, and such terms are fair and reasonable and are in the interests of South China Holdings and South China Industries and their respective shareholders as a whole.

III. THE OFFER

Immediately before the Completion, the Offeror, Mr. Lam, their respective associates and parties acting in concert with them did not own any Shares or the shares of South China Holdings and South China Industries. If the Transaction is completed, the Offeror and parties acting in concert with it will own an aggregate of 255,885,561 Shares, representing approximately 95.35% of the entire issued share capital of Nority International. Under Rule 26.1 of the Takeovers Code, the Offeror will be required to make an unconditional mandatory cash offer for all the then issued Shares not already beneficially owned or agreed to be acquired by the Offeror and parties acting in concert with it. The Offer, if and when made, will be unconditional in all respects.

Principal terms of the Offer

Subject to Completion, Partners Capital, on behalf of the Offeror, will make the 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 on the following basis:

For each Share HK\$0.412 in cash

As at the date of this announcement, Nority International has 268,372,612 Shares in issue and there are no outstanding warrants, options, derivatives or securities convertible into Shares as at the date of this announcement. There is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or Nority International which might be material to the Offer.

As stated in section II of this announcement headed “Disposal of Nority (BVI) and the Subscription”, subject to the completion of the Disposal, Nority International will apply part of the proceeds from the Disposal of not exceeding HK\$60 million for the Special Dividend to be made to all existing Shareholders (including Micon which is expected to receive not more than approximately HK\$57.21 million from the Special Dividend) whose names appear on the register of members of Nority International on the date of the EGM. Shareholders are entitled to the Special Dividend irrespective of whether he/she accepts the Offer or not during the offer period. As such, the Shares tendered to the Offeror will be excluded from the entitlements of the Special Dividend. The exact amount of the Special Dividend to be distributed is subject to final decision by the board of directors of Nority International.

Comparisons of value

The Offer Price of HK\$0.412 per Share is equal to the consideration paid by the Offeror for each Sale Share and represents:

- (a) a discount of approximately 12.34% to the closing price of HK\$0.470 per Share as quoted on the Stock Exchange on 16 May 2006, being the last trading day prior to the suspension of trading of the Shares on 17 May 2006;
- (b) a discount of approximately 12.34% to the average closing price of HK\$0.470 per Share over the 10 trading days up to and including 16 May 2006;

- (c) a discount of approximately 10.63% to the average closing price of approximately HK\$0.461 per Share over the 30 trading days (excluding the period between 24 March 2006 and 4 April 2006 during which trading of the Shares had been suspended) up to and including 16 May 2006; and
- (d) a premium of approximately 20.47% over the unaudited consolidated net tangible asset value per Share of approximately HK\$0.342 as at 30 June 2006 (based on the unaudited consolidated net tangible assets of the Nority Group of approximately HK\$91,860,000 as stated in the last published interim report of Nority International for the six months ended 30 June 2006 and 268,372,612 Shares in issue as at 30 June 2006).

Highest and lowest Share prices

During the six-month period preceding the date of this announcement, the daily closing prices of the Shares as quoted on the Stock Exchange remained at HK\$0.47 while trading of the Shares has been suspended since 17 May 2006.

Total consideration

As at the date of this announcement, there are 268,372,612 Shares in issue. At the Offer Price of HK\$0.412 per Share, the entire issued share capital of Nority International would be valued at approximately HK\$110.6 million. Based on 12,487,051 Shares subject to the Offer, the Offer would be valued at approximately HK\$5.1 million.

The Offeror will finance the Offer by its own cash deposit. Partners Capital is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer.

Effects of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them as at the date of this announcement, including the right to receive all dividends and distributions (except the Special Dividend) declared, paid or made, if any, on or after the date of this announcement.

The Offer Shares will be acquired free from all liens, charges, options, claims, equities, adverse interests, third-party rights or encumbrances whatsoever and together with all rights accruing or attaching thereto, including (without limitation) the right to receive dividends and distributions declared, made or paid, if any, on or after the Completion Date (excluding, however, the Special Dividend).

Stamp duty

If the Offer is made, seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the consideration arising on acceptance of the Offer will be deducted from the consideration due to the accepting Shareholders. The Offeror will arrange for payment of the stamp duty by the accepting Shareholders in connection with the acceptance of the Offer and the transfer of their respective Shares.

Payment

Payment in cash in respect of acceptances of the Offer will be made within ten days of the date on which the relevant documents of title are received by the Registrar to render each such acceptance complete and valid.

As at the date of this announcement, neither the Offeror nor any parties acting in concert with it owned any Shares or any other securities, including equity related convertible securities, warrants, options or subscription rights in respect of any equity share capital of Nority International. Neither the Offeror nor any parties acting in concert with it has dealt in any Shares or any other securities, including equity related convertible securities, warrants, options or subscription rights in respect of any equity share capital of Nority International during the six months prior to this announcement.

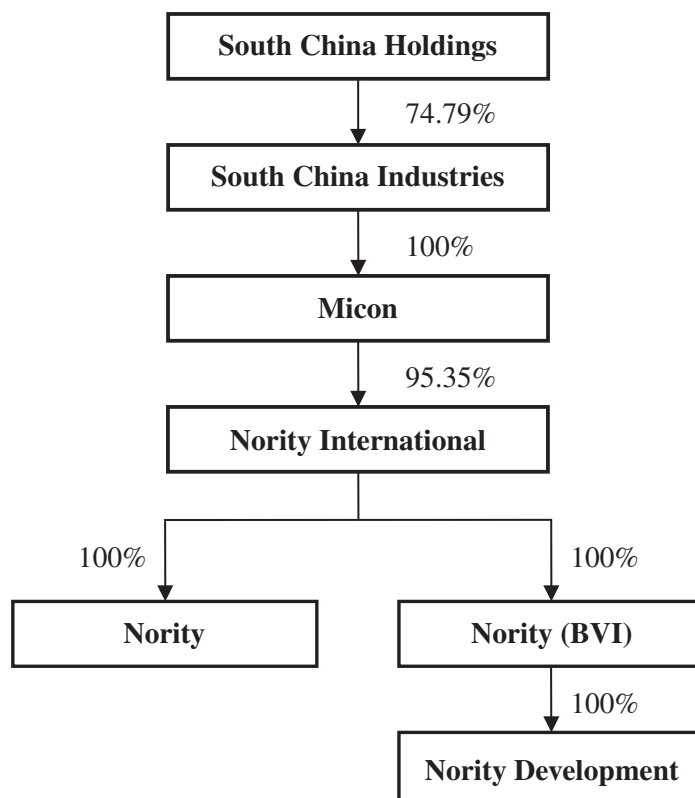
IV. SHAREHOLDING STRUCTURE OF NORITY INTERNATIONAL

The shareholding structure of Nority International (a) as at the date of this announcement; and (b) immediately upon completion of the Transaction will be as follows:

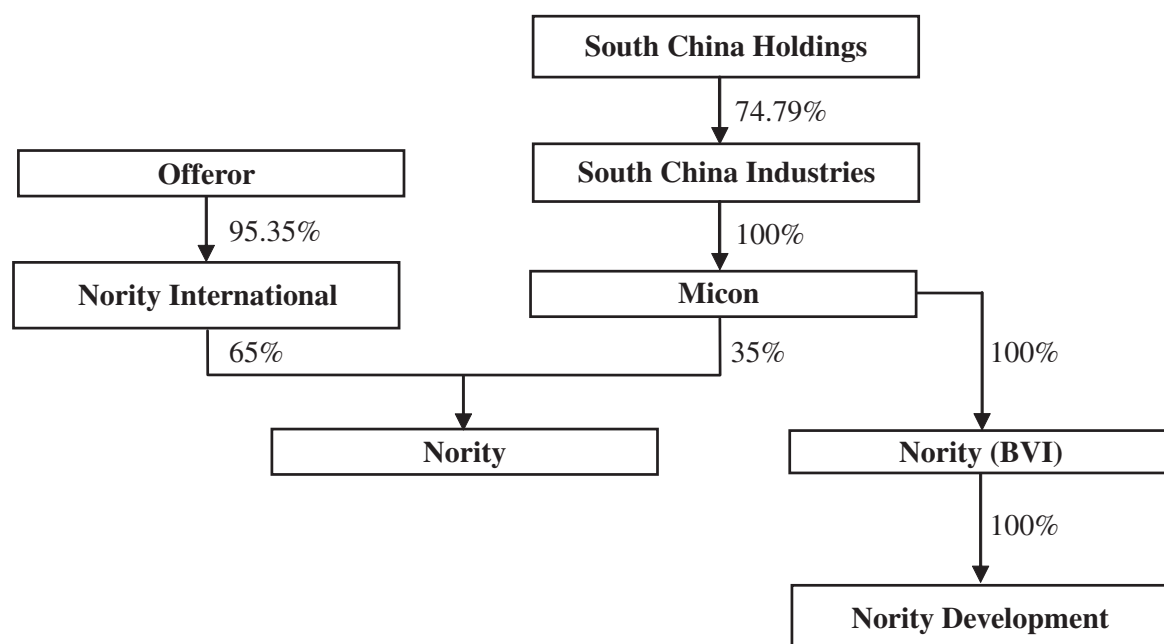
Shareholders	As at the date of this announcement	Upon completion of the Transaction
Micon	255,885,561 (95.35%)	Nil
Offeror	Nil	255,885,561 (95.35%)
Public	12,487,051 (4.65 %)	12,487,051 (4.65%)
Total	268,372,612 (100%)	268,372,612 (100%)

SHAREHOLDING STRUCTURE OF NORITY INTERNATIONAL BEFORE AND AFTER COMPLETION

(a) Before the Completion (after the restructuring of the Nority Group carried out in September 2006 in which Nority had changed from a subsidiary to a fellow subsidiary of Nority (BVI))



(b) Immediately after the Completion



V. INFORMATION ON THE NORITY GROUP

The core business of Nority International and its subsidiaries is the manufacture and export of athletic and athletic-style leisure footwear, as well as the manufacture of working shoes, safety shoes, golf shoes and other functional shoes.

For the year ended 31 December 2004, the audited consolidated revenue and loss before and after taxation of Nority International were approximately HK\$259.5 million, HK\$30.3 million and HK\$29.0 million respectively. For the year ended 31 December 2005, the audited consolidated revenue and loss before and after taxation of Nority International were approximately HK\$297.6 million, HK\$59.1 million and HK\$52.4 million respectively.

VI. INFORMATION ON SCH GROUP

South China Holdings is an investment holding company. Its subsidiaries and associates are principally engaged in trading and manufacturing (including footwear trading and manufacturing), property development, travel and related services, securities and financial services, media and publications, information technology and agricultural production.

VII. INFORMATION ON SCI GROUP

South China Industries is an investment holding company. Its subsidiaries and associates, other than Nority International as mentioned above, are principally engaged in the manufacturing and trading of toys, compressors, footwear, metal tooling, leather products, motors, machinery, capacitors, clothing, property investment and development, agriculture, information technology and travel related businesses. South China Holdings beneficially holds approximately 74.79% of the issued share capital of South China Industries.

VIII. INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability on 30 August 2000 and is wholly owned by Wai Chun Investment Fund, which is in turn wholly owned by Mr. Lam. Mr. Lam is also the sole director of the Offeror. Other than the entering into of the Agreement, the Offeror has made substantial investments in a number of companies whose shares are listed on the Stock Exchange. Among all the substantial investments made by Mr. Lam and/or his wholly-owned companies in the listed companies, Mr. Lam and/or the Offeror are currently interested in an aggregate of approximately 5.12% of the issued share capital of Smart Rich Energy Finance (Holdings) Limited (stock code: 1051). Mr. Lam is not a director of any of the listed companies in which he has substantial investments.

Mr. Lam, aged 48, has over 14 years of experience in project investments and securities investments. Mr. Lam has been engaged in industrial and residential property development in the PRC and commercial property investment in Hong Kong and, via his investment companies, has made investments in various projects including, inter alia, mining for rutile, exploitation of coalbed methane and operation of professional training school in the PRC. Following Completion, Mr. Lam will not participate in the management of Nority International and, accordingly, will not be nominated as a director of Nority International by the Offeror.

To the best of the knowledge, information and belief of the respective directors of Nority International, South China Holdings, South China Industries and the Offeror after having made all reasonable enquiries, the Offeror and its ultimate beneficial owner are Independent Third Parties and not parties acting in concert with the SCH Group and the SCI Group.

IX. INTENTION OF THE OFFEROR REGARDING NORITY GROUP

The Offeror intends that the Nority Group will continue its existing businesses in the manufacturing and export of footwear and will maintain the listing status of Nority International on the Stock Exchange following the close of the Offer. The Offeror has no present intention to dispose of or re-deploy the assets of the Nority Group following the completion of the Disposal Agreement and the Nority Subscription Agreement other than in the ordinary course of its business, or to inject its assets into the Nority Group. Following completion of the Agreement and the close of the Offer, the Offeror will conduct a detailed review on the business operations and financial position of the Nority Group for the purpose of formulating business plans and strategies for the future business development of the Nority Group. Subject to the result of such review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Nority Group with an objective to broaden its income source and/or carrying out fund raising exercises with an objective to strengthen the financial position of the Nority Group. Should such acquisitions and/or fund raising exercises materialise, further announcement will be made in accordance with the Listing Rules. Save for the proposed change of the composition of the board of directors of Nority International set forth below, the Offeror intends that there will not be any material changes in the management or employees of the Nority Group as a result of the Offer to ensure a smooth transition.

Leverage on the network and experience of Mr. Lam, it is expected that more business opportunities will be brought to the Nority Group by the Offeror and the Offeror is optimistic about the future prospects of the Nority Group.

X. PROPOSED CHANGE OF BOARD COMPOSITION OF NORITY INTERNATIONAL

The existing executive directors of Nority International, namely, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung, Peter and Ms. Cheung Lai Lin, Pealin, and three independent non-executive directors of Nority International, namely, Mr. Chiu Sin Chun, Ms. Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice, will resign with effect from the earliest time permitted under the Takeovers Code.

The Offeror intends to nominate Mr. He and Mr. Guo as executive directors of Nority International and such appointment will take effect on the calendar day immediately following the close of the Offer. In addition, the Offeror is in the process of inviting suitable candidates to serve as additional executive directors and independent non-executive directors of Nority International, the nomination of whom has yet to be finalised as at the date of this announcement. Further announcement will be made once the appointment of the new directors of Nority International (including but not limited to the three independent non-executive directors) of Nority International, setting out details of the appointment of such directors in accordance with Rule 13.51(2) of the Listing Rules, is confirmed.

Set out below are the biographical details of the proposed executive directors of Nority International to be nominated by the Offeror:

Mr. He, aged 43, has extensive experience in financial management and investment field. Mr. He graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 1983 and 1985, Mr. He was employed by the Domestic Trade Ministry of the PRC. Soon thereafter, he joined China Resources Co., Ltd. in Beijing as a deputy manager in the finance department. In 1989, Mr. He was transferred to China Resources (Holdings) Co., Ltd. in Hong Kong as a deputy general manager in finance department, responsible for financial management. China Resources (Holdings) Company Limited is a holding company with subsidiaries engaging in various businesses including, inter alia, manufacturing of garment and footwear and the immediate holding company of China Resources Enterprise, Limited (stock code: 291). In 1997, Mr. He set up his own business, principally engaged in the investment in trading, property development and other strategic investment in the PRC. Mr. He was the chairman of Geely Automobile Holding Limited, whose shares are listed on the Stock Exchange, during the period from June 2002 to June 2005. Geely Automobile Holding Limited commenced its business in manufacturing and trading of automobile parts and related automobile components since March 2003.

Mr. Guo, aged 37, holds a bachelor degree of art in English and Literature. Mr. Guo is currently a director of Wai Chun Investment Fund. Mr. Guo was a lecturer at Huazhong University of Science and Technology in Wuhan, the PRC during 1992 to 1998. Mr. Guo was a vice president at Beijing Jian-Tech Co. Ltd. and an assistant to chairman at Beijing Jian Enterprise (Group) Co. Ltd. respectively during 1998 to 2002. Jian Enterprise Group is a group of companies engaging in property and housing development, trading, retailing, technology development and public service infrastructure investments in the PRC. Mr. Guo was a special assistant to chief executive officer at Purple Telecomm. Inc., 21vianet (Hong Kong) Co. Ltd., and 21vianet China Inc. respectively during 2002 to 2003. Purple Telecomm. Inc., 21vianet (Hong Kong) Co. Ltd., and 21vianet China Inc. are under the same group which is engaging in internet services provider business which includes the operation of data centers in Asia Pacific region and United States of America. During 2003 to 2005, Mr. Guo was a director and an executive vice president at Angels Telecom Technology Co. Ltd. and a director at Smart Mover ITS Technology Co. Ltd. and Beijing Asia Pacific East Communication Network Limited respectively. Angels Telecom Technology Co. Ltd. and Smart Mover ITS Technology Co. Ltd. are engaged in transportation technology solutions in respect of toll collection, traffic surveillance, optical fibre road network communication and power supply systems for highways and expressways in the PRC whilst Beijing Asia Pacific East Communication Network Limited is engaged in the provision of satellite transponder services. Mr. Guo has extensive experience in corporate governance, performance management, risk control and feasibility valuation.

Despite that Mr. He and Mr. Guo do not have direct experience in the footwear industry, the Offeror believes that the two years of manufacturing business operation and management experience of Mr. He during his service at Geely Automobile Holding Limited and his experience in China Resources (Holdings) Company Limited, whose subsidiaries engaging in various businesses including, inter alia, manufacturing of garment and footwear and his extensive experience in financial management and investment field together with Mr. Guo's extensive experience in corporate governance, performance management and risk control would be valuable to the management and operation of Nority International after the Completion.

XI. MAINTAINING THE LISTING STATUS OF NORITY INTERNATIONAL

On 30 August 2006, the Stock Exchange has granted the Waiver. The Waiver has expired on 15 September 2006. Trading in the Shares will remain suspended until the public float is restored.

The Offeror intends Nority International to remain listed on the Stock Exchange. The sole director of the Offeror, Mr. Lam, and the new directors to be appointed to the board of directors of Nority International will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that as soon as reasonably practicable after the Completion, the prescribed minimum percentage of the Shares would be held in the public hands for the purpose of resuming dealings and trading in the Shares on the Stock Exchange.

XII. GENERAL

The Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer. Nority International has appointed the Independent Financial Adviser to advise the Independent Shareholders in respect of the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps.

The EGM will be convened to consider and approve the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps. A circular containing particulars of the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps, a letter of advice from the Independent Financial Adviser to the Independent Shareholders and a notice of the EGM to approve the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules and the Takeovers Code.

Since Micon has an interest in the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps, Micon, its associates and any shareholders who are involved in or interested in the Special Deals will abstain from voting for the resolutions approving the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps at the EGM.

Pursuant to Rule 8.2 of the Takeovers Code, the offer document containing, amongst other things, the terms of the Offer, together with forms of acceptance and transfer, should normally be posted to the Shareholders by or on behalf of the Offeror within 21 days of the date of the announcement of the Offer. The Offeror and Nority International intend to combine the offer document and Nority International's response document in a composite offer and response document. Such composite offer and response document in connection with the Offer setting out, inter alia, details of the Offer (accompanied by the acceptance and transfer form) and incorporating the respective letters of advice from the Independent Board Committee and the Independent Financial Adviser on the Offer will be issued and despatched by the Offeror and Nority International jointly to the Shareholders in accordance with the Takeovers Code. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of the Offer is subject to prior fulfillment of certain conditions precedent and the conditions precedent cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by the Offeror for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of such composite offer and response document within seven days of the Completion.

Persons who are not resident in Hong Kong should inform themselves about and observe any applicable requirements in their own jurisdictions.

A circular containing, among other things, details of the Agreement, the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement will be sent to the respective shareholders of South China Holdings and South China Industries as soon as practicable.

Shareholders and investors of South China Holdings and South China Industries should note that the Agreement, the Disposal Agreement and the Nority Subscription Agreement are conditional upon the fulfillment of certain conditions. Shareholders and investors of South China Holdings and South China Industries are therefore advised to exercise caution in dealing in the securities of South China Holdings and South China Industries.

Shareholders and investors of Nority International should note that the Agreement, the Disposal Agreement and the Nority Subscription Agreement are conditional upon the fulfillment of certain conditions, and the Offer will only be made if the Agreement becomes unconditional and the Offeror's acquisition of the Sale Shares is completed in accordance with the Agreement. As such, the Offer is a possibility only and may or may not proceed. Shareholders and investors of Nority International are therefore advised to exercise caution in dealing in the securities of Nority International.

DEFINITIONS

“A Shares”	the voting class A shares of HK\$1.00 each in the capital of Nority carrying the rights and privileges of profit distribution of Nority, priority in the distribution of the assets of Nority on winding up and voting rights at general meetings of Nority, details of which are set out in the articles of association of Nority
“Agreement”	the conditional sale and purchase agreement dated 6 November 2006 and supplemental agreement dated 24 November 2006 entered into between Micon, South China Industries and the Offeror relating to the sale and purchase of the Sale Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“B Shares”	the non-voting class B shares of HK\$1.00 each in the capital of Nority carrying the rights and privileges set out in the articles of association of Nority and practically carrying no entitlement to dividend or distribution of profit or asset distribution on winding up
“BVI”	the British Virgin Islands
“Business Day”	a day, other than a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“Completion”	completion of the Transaction
“Completion Date”	the date of completion of the Transaction, details of which are set out in the paragraph headed “Completion” under the section headed “The Agreement” of this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Connected Transactions”	the transactions contemplated in the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed and the Put Option Deed
“Continuing Connected Transactions”	the transactions contemplated in the Management Agreement and the Rental Agreement
“DD Long Stop Date”	24 November 2006, being a day falling 10 Business Days after the receipt by the Offeror of any document for the purpose of conducting the due diligence review on Nority International
“Disposal”	the disposal of the Nority (BVI) Sale Shares and the Nority (BVI) Sale Loan by Nority International to Micon
“Disposal Agreement”	the sale and purchase agreement dated 6 November 2006 entered into between, inter alia, Nority International and Micon in relation to the Disposal
“EGM”	the extraordinary general meeting of the Shareholders to be convened by Nority International to consider and approve the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of Nority International established for the purpose of considering and advising the Independent Shareholders in connection with the Offer
“Independent Financial Adviser”	Hercules Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, a corporation licensed under the SFO to engage in type 6 (advising on corporate finance) of the regulated activity as defined in the SFO
“Independent Shareholders”	shareholders of Nority International except Micon (being the controlling shareholder, and hence a connected person, of Nority International having a material interest in the Special Deals (namely the Connected Transactions and the Continuing Connected Transactions) and the Proposed Caps, and its associate(s), if any, and except those who are involved in or interested in the Special Deals
“Independent Third Party(ies)”	third party(ies) independent of Nority International, South China Holdings and South China Industries and their respective connected persons (as defined in the Listing Rules)
“Joint Venture Deed”	the joint venture deed intended to be entered into between Nority International, Micon and Nority on the Completion Date in relation to the funding, management and operation of Nority
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the management agreement intended to be entered into between Nority International, Nority and South China Strategic on the Completion Date in relation to the operation and management of Nority
“Micon”	Micon Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of South China Industries
“Mr. Guo”	Mr. Guo Bo
“Mr. He”	Mr. He Xuechu
“Mr. Lam”	Mr. Lam Ching Kui, the sole director and the sole beneficial owner of the Offeror
“Nority”	Nority Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Nority International as at the date of this announcement
“Nority (BVI)”	Nority (BVI) Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Nority International as at the date of this announcement
“Nority (BVI) Sale Loan”	the sum of HK\$25,347,048 which is due and owing by Nority (BVI) to Nority International

“Nority (BVI) Sale Shares”	120,000,000 shares of US\$0.10 each in the share capital of Nority (BVI), representing the entire issued share capital of Nority (BVI)
“Nority Development”	Nority Development Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Nority International as at the date of this announcement
“Nority Group”	Nority International and its subsidiaries
“Nority International”	Nority International Group Limited, a company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange
“Nority Subscription Agreement”	the subscription agreement dated 6 November 2006 entered into between Micon, Nority International and Nority relating to the subscription of the Subscription Shares by Micon
“Offer”	the possible unconditional mandatory cash offer to be made by Partners Capital on behalf of the Offeror for all the Offer Shares in accordance with the Takeovers Code
“Offer Price”	HK\$0.412 per Share
“Offer Shares”	Shares not already beneficially owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Offeror”	Chinese Success Limited, a company incorporated in the BVI with limited liability and wholly-owned by Wai Chun Investment Fund which is in turn wholly-owned by Mr. Lam
“Option Interest”	65 A Shares beneficially owned by Nority International and 12,000,000 B Shares, representing 65% of the issued A Shares and 65% of the voting rights at general meetings of Nority after completion of the Subscription and 100% of the issued B Shares as at the date of signing of the Put Option Deed
“parties acting in concert”	has the meaning ascribed thereto in the Takeovers Code
“Partners Capital”	Partners Capital International Limited, a licensed corporation to carry on types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO and the financial adviser to the Offeror in respect of the Offer
“percentage ratios”	has the meaning ascribed thereto in the Listing Rules
“PRC”	The People’s Republic of China
“Premises”	the factory building, Nority Industrial Building, No.4 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC
“Prime Rate”	in relation to any relevant sum and any relevant period, the best lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited at or about 11:00 a.m. (Hong Kong time) on the second Business Day before the commencement of such period

“Proposed Caps”	the proposed caps for the Management Agreement and the Rental Agreement
“Put Option”	the put option to be granted by Micon to Nority International to request Micon to acquire the Option Interest
“Put Option Deed”	the put option deed intended to be entered into between Nority International, Nority and South China Industries on the Completion Date pursuant to the granting of the Put Option
“Rental Agreement”	the rental agreement intended to be entered into between Nority and Nority Development on the Completion Date in relation to the lease of the Rented Premises for the operation of Nority’s business
“Rented Premises”	part of the Premises, the area of which is 28,030.66 sq.m., which is currently utilized by Nority for its operation
“Sale Shares”	255,885,561 Shares beneficially owned by Micon, representing approximately 95.35% of the issued share capital of Nority International as at the date of the Agreement
“SCH Group”	South China Holdings and its subsidiaries including South China Industries
“SCI Group”	South China Industries and its subsidiaries
“SFC”	Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each of Nority International
“Shareholder(s)”	holder(s) of the Share(s)
“Share Purchase Conditions”	The conditions set out in the paragraph headed “Conditions Precedent” under the section headed “The Agreement” of this announcement
“South China Holdings”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“South China Industries”	South China Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“South China Strategic”	South China Strategic Limited, a company incorporated in Hong Kong with limited liability, the manager of Nority in the Management Agreement and a wholly-owned subsidiary of South China Industries
“Special Deals”	the transactions contemplated under the Disposal Agreement, the Nority Subscription Agreement, the Joint Venture Deed, the Put Option Deed, the Management Agreement and the Rental Agreement
“Special Dividend”	the dividend payable as described in the paragraph headed “Intended application of the sale proceeds” under the section headed “Disposal of Nority (BVI) and the Subscription” of this announcement

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by Micon pursuant to the Nority Subscription Agreement
“Subscription Shares”	35 A Shares, representing 35% of the enlarged issued A Shares and 35% of the voting rights at general meetings of Nority
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction”	the sale and purchase of the Sale Shares pursuant to the Agreement
“Waiver”	a waiver granted on 30 August 2006 by the Stock Exchange to Nority International from strict compliance with Rule 8.08 of the Listing Rules for the purpose of restoring the public float to not less than 25% of the issued share capital of Nority International
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metre

For the purpose of this announcement, unless otherwise indicated, exchange rates of HK\$1.00 = RMB1.02 have been used for currency conversion purposes. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or RMB have been, could have been or may be converted at such rates or any other exchange rates or at all.

On behalf of the Board Chinese Success Limited Lam Ching Kui <i>Director</i>	On behalf of the Board Nority International Group Limited Cheung Choi Ngor <i>Chairman</i>	On behalf of the Board South China Holdings Limited Cheung Choi Ngor <i>Director</i>	On behalf of the Board South China Industries Limited Cheung Choi Ngor <i>Director</i>
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Hong Kong, 24 November 2006

The directors of Nority International jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the SCH Group, SCI Group and Offeror) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions (other than those expressed by the SCH Group, SCI Group and the Offeror) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than those relating to the SCH Group, SCI Group and the Offeror) not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of South China Holdings and South China Industries jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Nority Group and Offeror) contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, the opinions (other than those expressed by the Nority Group and the Offeror) expressed in this announcement have been arrived at after due and careful consideration and there are no other facts (other than those relating to the Nority Group and the Offeror) not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information (other than those relating to the Nority Group, SCH Group and SCI Group) contained in this announcement and confirms, having made all reasonable inquiries, that to the best of his knowledge, the opinions expressed in this announcement (other than those expressed by the Nority Group, SCH Group and SCI Group) have been arrived at after due and careful consideration and that there are no other facts not contained in this announcement (other than those relating to the Nority Group, SCH Group and SCI Group), the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the board of directors of Nority International comprises (1) Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung, Peter and Ms. Cheung Lai Lin, Pealin as executive directors and (2) Mr. Chiu Sin Chun, Ms. Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice as independent non-executive directors.

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

As at the date of this announcement, the board of directors of South China Holdings comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung, Peter as executive directors; (2) Ms. Ng Yuk Mui, Jessica and Mr. David Michael Norman as non-executive directors; and (3) Mr. David John Blackett, Ms. Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei as independent non-executive directors.

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million. This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved. Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information to those dealings, including identities of clients, as part of that co-operation.”

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