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SOUTH CHINA HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 265)

**Discloseable and Connected Transaction
in relation to acquisition of SCI Sale Shares
and SCI Sale Debts
and
in relation to disposal of SCH Sale Shares
and SCH Sale Debts**



SOUTH CHINA INDUSTRIES LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 413)

**Major disposal and Connected Transaction
in relation to disposal of SCI Sale Shares
and SCI Sale Debts
and
Discloseable and Connected Transaction
in relation to acquisition of
SCH Sale Shares and
SCH Sale Debts**

**Change of Company Name,
Share Subdivision,
Change in Board Lot Size, and
Bonus Issue of Warrants**

JOINT ANNOUNCEMENT

THE SALE AND PURCHASE OF SCH SALE SHARES AND SCH SALE DEBTS AND SCI SALE SHARES AND SCI SALE DEBTS

On 4 July 2007, SC Strategic, Full Sino, Tek Lee and SC Media entered into the Agreement pursuant to which, among other things, (i) SC Strategic and Full Sino have agreed to sell the SCI Sale Shares and to sell and/or procure the sale of (as the case may be) the SCI Sale Debts to SCH Nominee(s) at a consideration of HK\$122.1 million; and (ii) Tek Lee and SC Media have agreed to sell the SCH Sale Shares and to sell and/or procure the sale of (as the case may be) the SCH Sale Debts to SCI Nominee(s) at a consideration of HK\$122.1 million, in each case upon and subject to the terms and conditions set out therein.

CERTAIN EFFECTS OF THE TRANSACTIONS UNDER THE AGREEMENT

As the percentage ratios under the relevant tests of the Transactions are more than 5% but less than 25% and Mr. Ng Hung Sang, a substantial shareholder of SCH, is also a substantial shareholder of EN and hence a connected person of SCH, the Transactions constitute discloseable and connected transactions for SCH under the Listing Rules.

As the percentage ratio under the revenue test of the sale of the SCI Sale Shares and SCI Sale Debts is more than 25% but less than 75% and SCH is the substantial shareholder of SCI and hence a connected person of SCI, the sale of the SCI Sale Shares and SCI Sale Debts constitute major disposal and connected transaction for SCI under the Listing Rules. As the percentage ratio under the relevant tests of the purchase of the SCH Sale Shares and SCH Sale Debts is more than 5% but less than 25%, the purchase of the SCH Sale Shares and SCH Sale Debts constitute discloseable and connected transaction for SCI under the Listing Rules.

As Completion is subject to the fulfillment of a number of conditions precedent, the Transactions may or may not proceed. The SCH Shareholders, SCI Shareholders and potential investors should exercise caution when dealing in the SCH Shares and SCI Shares respectively.

PROPOSED CHANGE OF COMPANY NAME OF SCI

The SCI Board proposes to change the name of SCI from “South China Industries Limited” (Chinese translation being “南華工業有限公司” for identification purpose only) to “South China (China) Limited” (Chinese translation being “南華(中國)有限公司” for identification purpose only). The change of name of SCI shall become effective upon the approval by the SCI Shareholders by way of a special resolution at the SCI EGM II. Subject to the approval of the SCI Shareholders, SCI will carry out necessary filing procedures and actions with the Registrars of Companies in the Cayman Islands and in Hong Kong.

PROPOSED SCI SHARE SUBDIVISION

The SCI Board proposes that each of the existing issued and unissued SCI Shares of HK\$0.10 each in the share capital of SCI be subdivided into 5 SCI Subdivided Shares of HK\$0.02 each. The SCI Share Subdivision will become effective upon the fulfillment of the conditions set out below under the paragraph headed “Conditions of the SCI Share Subdivision” below.

The SCI Shares are currently traded in board lots of 2,000 SCI Shares. Upon the SCI Share Subdivision becoming effective, the SCI Subdivided Shares will be traded in board lots of 8,000 SCI Subdivided Shares.

PROPOSED SCI BONUS WARRANTS ISSUE

Upon the SCI Share Subdivision becoming effective, the SCI Board proposes the SCI Bonus Warrants Issue for the Qualifying SCI Shareholders on the basis of one SCI Bonus Warrant for every 5 existing SCI Shares or 25 SCI Subdivided Shares (as the case may be) held on the Record Date.

The commencement of dealings for SCI Bonus Warrants on the Stock Exchange is expected to be on 7 September 2007.

I. INTRODUCTION

On 4 July 2007, SC Strategic, Full Sino, Tek Lee and SC Media entered into the Agreement pursuant to which, among other things, (i) SC Strategic and Full Sino have agreed to sell the SCI Sale Shares and to sell and/or procure the sale of (as the case may be) the SCI Sale Debts to SCH Nominee(s) at a consideration of HK\$122.1 million; and (ii) Tek Lee and SC Media have agreed to sell the SCH Sale Shares and to sell and/or procure the sale of (as the case may be) the SCH Sale Debts to SCI Nominee(s) at a consideration of HK\$122.1 million, in each case upon and subject to the terms and conditions set out therein.

II. THE AGREEMENT

Date: 4 July 2007

Vendors of SCH Sale Shares: (1) Tek Lee Finance And Investment Corporation Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCH. Tek Lee is principally engaged in investment holding and its subsidiaries are principally engaged in the trading and manufacturing, financial services, property investment and development, magazines publishing business, agriculture, information technology business and travel related business.

(2) South China Media Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCH. SC Media is principally engaged in the magazines publishing business.

Vendors of SCI Sale Shares: (1) South China Strategic Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCI. SC Strategic is principally engaged in investment holding and its subsidiaries are principally engaged in agriculture, information technology, travel related businesses and property business.

(2) Full Sino Profits Limited, a company incorporated in the British Virgin Islands with limited liability, which is indirectly wholly-owned by SCI. Full Sino is an investment holding company and holds the entire issued share capital of FS Travel.

Purchaser(s) of SCH Sale Shares and SCH Sale Debts: SCI Nominee(s), being any wholly-owned subsidiary(ies) (direct or indirect) of SCI which will be nominated by SCI to acquire the SCH Sale Shares and the SCH Sale Debts.

Purchaser(s) of SCI Sale Shares and SCI Sale Debts: SCH Nominee(s), being any wholly-owned subsidiary(ies) (direct or indirect) of SCH which will be nominated by SCH to acquire the SCI Sale Shares and the SCI Sale Debts.

Subject matter and principal terms of the Transactions: Tek Lee and SC Media have agreed conditionally to sell the SCH Sale Shares and to sell and/or procure the sale of (as the case may be) the SCH Sale Debts at the SCH Consideration.

SC Strategic and Full Sino have agreed conditionally to sell the SCI Sale Shares and to sell and/or procure the sale of (as the case may be) the SCI Sale Debts at the SCI Consideration.

SCH Consideration: The total consideration for the sale of the SCH Sale Shares and the SCH Sale Debts shall be HK\$122.1 million which shall comprise:—

- (i) HK\$75.2 million representing the aggregate net liabilities of the SCH Sale Group as at 31 December 2006 excluding the aggregate face value of the SCH Sale Debts as at such date;
- (ii) HK\$156.6 million representing a reasonable estimate of the aggregate face value of the SCH Sale Debts as at the Completion Date net of discount on the SCH Sale Debts; and
- (iii) adjustment amounting to HK\$40.7 million for the revaluation net of relevant tax effect of each of Property 1, Property 2 and the Debentures and Berths as at 31 May 2007,

which shall be satisfied in exchange for the SCI Consideration.

The SCH Consideration was determined after arm's length negotiation between the contracting parties with reference to, among other things, (i) the unaudited consolidated net asset/liabilities attributable to the equity holders of Limehouse, Welbeck and Artful as at 31 December 2006 of approximately net asset of HK\$7.7 million, net asset of HK\$0.8 million and net liabilities of HK\$83.7 million attributable to SCH equity holders respectively; (ii) the total face value of the SCH Sale Debts as at the date of the Agreement, being HK\$192.0 million, discounted by a sum of HK\$35.4 million based on the valuation of Property 2 by an independent professional valuer up to 31 May 2007 of HK\$40 million. The valuation of Property 2 attributable to the equity holders of Artful, based on an effective interest of 70% in EN, should be HK\$28 million. As the total value of shares

and debts of EN was approximately HK\$63.4 million, a discount of HK\$35.4 million on SCH Sale Debts assigned was used to reflect the fair value of Property 2; (iii) the adjustment for market valuation of each of Property 1 and Property 2 as at 31 May 2007 net of relevant tax effect; and (iv) the adjustment for market valuation of the Debentures and Berths as at 31 May 2007.

SCI Consideration:

The total consideration for the sale of the SCI Sale Shares and the SCI Sale Debts shall be HK\$122.1 million which shall comprise:–

- (i) HK\$48.4 million representing a reasonable estimate of the aggregate face value of the SCI Sale Debts as at the Completion Date;
- (ii) HK\$13.6 million representing the aggregate net asset value of the SCI Sale Shares as at 31 December 2006 excluding the aggregate face value of the SCI Sale Debts of HK\$48.4 million as at such date; and
- (iii) Cash consideration of HK\$60.1 million,

which shall be satisfied in exchange for the SCH Consideration.

The SCI Consideration was determined after arm's length negotiation between the contracting parties with reference to, among other things, (i) the total face value of the SCI Sale Debts as at the date of the Agreement, being HK\$48.4 million, and (ii) the unaudited combined net assets/liabilities attributable to the equity holders of SCN and FS Travel as at 31 December 2006 of approximately net liabilities of HK\$21.1 million and net asset value of HK\$34.7 million respectively.

Conditions Precedent:

Completion is conditional upon the fulfilment (or waiver, as the case may be) of the following conditions, among others:

- (a) the approval by the SCI Shareholders (other than those prohibited from voting under the Listing Rules) in general meeting by way of a poll of (i) the disposal by SC Strategic and Full Sino of the SCI Sale Shares and the SCI Sale Debts; (ii) the acquisition of the SCH Sale Shares and the SCH Sale Debts; and (iii) all other transactions contemplated under the Agreement;

- (b) if applicable, the obtaining of all consents from any of the government or regulatory authorities and/or other third parties which are necessary or desirable in connection with the execution and performance of the Agreement and any of the transactions contemplated under the Agreement; and
- (c) the parties to the Agreement having received documents evidencing (to their reasonable satisfaction) (i) the cancellation of the general banking facilities contemplated by the facility letter dated 13 February 2007 from the Bank to SCH and countersigned by SCH, and (ii) the release of the mortgage over Property 1 and Property 2 executed by Spark-Inn and EN in favour of the Bank in respect of the facilities referred to in (i) above, in either case on or before Completion.

The conditions precedent are required to be fulfilled on or before 30 September 2007 or such a later date as the parties to the Agreement may agree in writing. If the conditions precedent have not been satisfied or waived (as the case may be) on or before the date aforesaid, such parties shall be entitled to treat the Agreement as terminated, provided that the rights and liabilities of the parties to the Agreement which have accrued prior to termination shall subsist. As at the date of this announcement, no condition precedent has been fulfilled or waived.

Completion:

Completion shall take place on the second Business Day after the day on which the last of the conditions precedent is fulfilled or waived or such other date as the parties to the Agreement may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Agreement.

III. INFORMATION ON THE SCH SALE GROUP

Overview

Upon Completion, Tek Lee and SC Media will dispose of the SCH Sale Shares and SCH Sale Debts to SCI Nominee(s).

Tek Lee is the holding company of Limehouse and Welbeck. Limehouse is the holding company of Spark-Inn which is currently holding Property 1.

Welbeck and its subsidiaries hold 6 corporate and 30 individual long term wet berth memberships (with pre-requisite to own a berth), 20 corporate and 18 individual short term wet berth memberships (without the pre-requisite to own a berth but being required to lease a berth), 8 corporate and 10

individual drystack memberships of The Clearwater Bay Golf & Country Club, Sai Kung, Hong Kong together with 36 berth ownership in total (of which 2, 4, 9 and 21 berths are in length of 70 feet, 60 feet, 50 feet and 45 feet respectively). All these memberships and ownership are held for long term investment and are currently not under any lease arrangement.

SC Media is the holding company of Artful which in turn holds 70% of EN, with the remaining 30% held by an associate of Mr. Ng Hung Sang, the Chairman and Executive Director of each of SCH and SCI. Artful, through EN, holds Property 2. Upon Completion, SCH Sale Group will be subsidiaries of SCI and will be indirect subsidiaries of SCH through its interests in SCI.

Financial Information

The unaudited consolidated net asset value of Limehouse and its subsidiaries as at 31 December 2006 was HK\$7.7 million. The unaudited consolidated revenue, profit before and after tax for the years ended 31 December 2006 and 31 December 2005 were HK\$0.9 million, HK\$9.8 million, HK\$8.1 million and HK\$0.9 million, HK\$4.0 million, HK\$3.1 million respectively.

The unaudited consolidated net liabilities of Artful and its subsidiaries attributable to the equity holders of Artful as at 31 December 2006 was HK\$83.7 million. The unaudited consolidated revenue, profit before and after tax for the years ended 31 December 2006 and 31 December 2005 were HK\$0.9 million, HK\$13.2 million, HK\$13.2 million and HK\$5.2 million, HK\$5.0 million, HK\$5.0 million respectively.

The unaudited consolidated net asset value of Welbeck and its subsidiaries as at 31 December 2006 was HK\$0.8 million. No combined revenue, profit nor loss before and after tax for the years ended 31 December 2006 and 31 December 2005 were recorded.

IV. INFORMATION ON THE SCI SALE GROUP

Overview

Upon Completion, SC Strategic and Full Sino will dispose of the SCI Sale Shares and the SCI Sale Debts to the SCH Nominee(s). SC Strategic is the holding company of SCN and Full Sino which in turn is the holding company of FS Travel. SCN and its subsidiaries are principally engaged in sale and development of software applications and licensing in the PRC. FS Travel and its subsidiaries principally provide services for hotel and air ticket booking and related travel business. Upon Completion, SCI Sale Group ceases to be subsidiaries of SCI but will be fellow subsidiaries of SCI.

Financial Information

The unaudited consolidated net liabilities of SCN and its subsidiaries as at 31 December 2006 was HK\$21.1 million. The unaudited consolidated revenue, loss before and after tax for the years ended 31 December 2006 and 31 December 2005 were HK\$72.1 million, HK\$3.9 million, HK\$3.9 million and HK\$81.1 million, HK\$2.8 million, HK\$3.0 million respectively.

The unaudited consolidated net asset value of FS Travel and its subsidiaries as at 31 December 2006 was HK\$34.7 million. The unaudited consolidated revenue, profit before and after tax for the years ended 31 December 2006 and 31 December 2005 were HK\$1,908.6 million, HK\$24.6 million, HK\$20.3 million and HK\$1,629.9 million, HK\$16.9 million, HK\$28.1 million respectively.

V. INFORMATION ON SCH

SCH is an investment holding company. Its subsidiaries and associates are principally engaged in the trading and manufacturing, securities, bullion and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services and underwriting services, information technology related businesses, property investment and development, implementation and marketing of software applications, magazines publishing businesses, marketing and promotional services, agricultural production, sale of air tickets and the provision of other related services.

VI. INFORMATION ON SCI

SCI is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, compressors, shoes, leather products, motors, machinery, capacitors, clothing, property investment and development, agriculture, information technology and travel related businesses. SCH beneficially holds approximately 74.79% of the total issued share capital of SCI.

VII. REASONS FOR THE TRANSACTIONS

Given the diversified portfolio in SCI, the SCI Directors consider that the disposal of the SCI Sale Shares can segregate the travel business and information technology business portfolio from manufacturing business, agriculture and property businesses. Such restructure will allow SCI to concentrate and foster its resources and expertise in property, manufacturing and agriculture and woods. Further, the SCI Directors expect that such segregation can attract different investors with different investment criteria. The SCI Directors also consider that the acquisition of SCH Sale Shares would benefit from the potential capital appreciation of the Debentures and Berths as well as Property 1 and Property 2. Furthermore, the acquisition of the interest in Property 1 and Property 2 would enhance SCI's property portfolio.

The SCI Directors (excluding the independent non-executive directors of SCI who will give their opinion based on the recommendation from an independent financial adviser to be appointed) believe that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of SCI and the SCI Shareholders as a whole.

By streamlining the business of its subsidiaries, the SCH Directors believe that such restructure will bring a clearer picture of SCI's core business activities to its investors thus benefiting SCI and all SCI Shareholders as a whole. Other than the benefit from streamlining the business of SCI, the acquisition of SCI Sale Shares would enable SCH to rationalize the group structure by retaining businesses under different platforms. The other businesses (namely the travel business and information technology

business) are centralized under SCH for strategical development. Upon Completion, SCH will focus on financial services through South China Financial Holdings Limited, a subsidiary of SCH and the shares of which are also listed on the Stock Exchange, and also engage in property, manufacturing and agriculture and woods businesses through SCI. The SCH Directors (excluding the independent non-executive directors of SCH who will give their opinion based on the recommendation from an independent financial adviser to be appointed) believe that the terms of the Agreement are on normal commercial terms and are fair and reasonable, and in the interests of SCH and the SCH Shareholders as a whole.

VIII. GAIN/LOSS ON THE TRANSACTIONS

For SCH group, there will be no expected gain/loss from the Transactions as all intra-group transactions will be eliminated in full in the consolidated financial statements of SCH.

For SCI group, assuming the disposal of SCI Sale Shares and SCI Sale Debts is completed on 31 December 2006, there will be no expected gain/loss from the Transactions as the SCI Sale Shares and SCI Sale Debts will be disposed of to SCH Nominee(s) at their respective book carrying values as at 31 December 2006 and no gain/loss is expected from the acquisition of SCH Sale Shares and SCH Sale Debts.

Other than the adjustments required for the independent professional valuation of Property 1 and Property 2 and the Debentures and Berths as at 31 May 2007, there is no material change in the estimated net carrying value of the SCH Sale Shares, SCH Sale Debts, SCI Sale Shares and SCI Sale Debts between 31 December 2006 and Completion. Accordingly, no material gain/loss on the Transactions is expected for both SCH and SCI at Completion.

IX. GENERAL

As the percentage ratios under the relevant tests of the Transactions are more than 5% but less than 25% and Mr. Ng Hung Sang, a substantial shareholder of SCH, is also a substantial shareholder of EN and hence a connected person of SCH, the Transactions constitute discloseable and connected transactions for SCH under the Listing Rules.

As the percentage ratio under the revenue test of the sale of the SCI Sale Shares and SCI Sale Debts is more than 25% but less than 75% and SCH is the substantial shareholder of SCI and hence a connected person of SCI, the sale of the SCI Sale Shares and SCI Sale Debts constitute major disposal and connected transactions for SCI under the Listing Rules. As the percentage ratio under the relevant tests of the purchase of the SCH Sale Shares and SCH Sale Debts is more than 5% but less than 25%, the purchase of the SCH Sale Shares and SCH Sale Debts constitute discloseable and connected transactions for SCI under the Listing Rules.

The Transactions and all other transactions contemplated under the Agreement are conditional upon, among other things, the approval of the SCI Independent Shareholders of the Transactions and the approval of the SCH independent Shareholders of the Transactions. Voting on the above matters will be conducted by way of poll by the SCI Independent Shareholders. As at the date of this announcement, Super Giant, Wouldunity and Greenearn held 273,622,337 SCI Shares, 98,143,020 SCI Shares and 24,876,000 SCI Shares, representing 51.59%, 18.51% and 4.69% of the issued share capital of SCI respectively. Accordingly, each of Super Giant, Worldunity and Greenearn is required to abstain from voting in respect of the resolutions to approve the Transactions at the SCI EGM I. Each of Super Giant, Worldunity and Greenearn can control and is entitled to exercise control over the voting right in respect of its SCI Shares. Voting on the Transaction will be conducted by way of a poll by the SCH Independent Shareholders. As at the date of this announcement, Mr. Ng Hung Sang and his associates hold beneficially 73.72% of the issued share capital of SCH, are required to abstain from voting in respect of the resolution to approve the Transactions.

The SCH Independent Board Committee comprising of Mr. David John Blackett and Mr. Cheng Hong Kei will make recommendations to the SCH Independent Shareholders in relation to the Transactions. SCH will appoint an independent financial adviser to advise the SCH Independent Board Committee and the SCH Independent Shareholders in relation to it.

The SCI Independent Board Committee comprising of Mr. Chiu Sin Chun and Ms. Li Yuen Yu, Alice will make recommendations to the SCI Independent Shareholders in relation to the Transactions. SCI will appoint an independent financial adviser to advise the SCI Independent Board Committee and the SCI Independent Shareholders in relation to the Transactions.

A circular of SCH, containing, among other things, further particulars of the Transactions, the recommendations of the SCH Independent Board Committee, a letter of advice from an independent financial adviser to be appointed to advise the SCH Independent Board Committee and the SCH Independent Shareholders together with notice convening the SCH EGM will be sent to the SCH Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

A circular of SCI containing, among other things, further particulars of the Transactions, the recommendations of the SCI Independent Board Committee, a letter of advice from an independent financial adviser to be appointed to advise the SCI Independent Board Committee and the SCI Independent Shareholders together with notice convening the SCI EGM I will be sent to the SCI Shareholders as soon as practicable in accordance with the requirements of the Listing Rules.

As Completion is subject to the fulfillment of a number of conditions precedent, the Transactions may or may not proceed. The SCH Shareholders, SCI Shareholders and potential investors should exercise caution when dealing in the SCH Shares and SCI Shares respectively.

X. PROPOSED CHANGE OF COMPANY NAME OF SCI

The SCI Board proposes to change the name of SCI from “South China Industries Limited” (Chinese translation being “南華工業有限公司” for identification purpose only) to “South China (China) Limited” (Chinese translation being “南華(中國)有限公司” for identification purpose only). The change of name of SCI shall become effective upon the approval by the SCI Shareholders by way of a special resolution at the SCI EGM II. Subject to the approval of the SCI Shareholders, SCI will carry out necessary filing procedures and actions with the Registrars of Companies in the Cayman Islands and in Hong Kong.

Giving the dramatic growth potential in the PRC and SCI’s long established network in various locations in the PRC, SCI intends to explore further business and development opportunities in the PRC. In future, SCI will foster its resources and expertise in the areas of property, manufacturing and agriculture and woods, particularly those in the PRC.

The business segments of SCI are so diversified that the word “Industries” in the existing company name may not be able to reflect such diversification clearly to the public. The SCI Board considers that the change of the name of SCI from “South China Industries Limited” to “South China (China) Limited” will provide a better reflection of SCI’s business strategy, direction and plan for its future operations.

XI. PROPOSED SCI SHARE SUBDIVISION

The SCI Board proposes that each of the existing issued and unissued SCI Shares of HK\$0.10 each in the share capital of SCI shall be subdivided into 5 SCI Subdivided Shares of HK\$0.02 each. The SCI Share Subdivision will become effective upon the fulfillment of the conditions set out below. The SCI Shares are currently traded in board lots of 2,000 SCI Shares. Upon the SCI Share Subdivision becoming effective, the SCI Subdivided Shares will be traded in board lots of 8,000 SCI Subdivided Shares. The SCI Board believes that the SCI Share Subdivision coupled with the change of the board lot size may facilitate trading and improve the liquidity of the SCI Subdivided Shares, thereby enabling SCI to attract more investors and broaden its shareholder base. Accordingly, the SCI Board considers that the SCI Share Subdivision will be in the interests of SCI and the SCI Shareholders as a whole.

Save for the costs incurred by SCI in implementing the SCI Share Subdivision, which are estimated to be approximately HK\$400,000, the SCI Share Subdivision will not alter the underlying assets, business operations, management or financial position of SCI or the proportional interests of the SCI Shareholders. The SCI Board considers that the SCI Share Subdivision will not have any adverse effect on the financial position of SCI.

Conditions of the SCI Share Subdivision

The SCI Share Subdivision is conditional upon:

- (a) the passing of an ordinary resolution by the SCI Shareholders at the SCI EGM II; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the SCI Subdivided Shares.

Share capital structure

As at the date of this announcement, the authorised share capital of SCI is HK\$100,000,000, divided into 1,000,000,000 SCI Shares, of which 530,334,742 SCI Shares are in issue and fully paid. Assuming that no further SCI Shares will be issued or repurchased after the date of this announcement and prior to the SCI Share Subdivision becoming effective, the effect of the SCI Share Subdivision is set out as follows:

	Prior to the SCI Share Subdivision	After the SCI Share Subdivision
Par value of each SCI Share	HK\$0.10	HK\$0.02
Number of authorized SCI Shares	1,000,000,000	5,000,000,000
Authorised share capital	HK\$100,000,000	HK\$100,000,000
Number of SCI Shares in issue	530,334,742	2,651,673,710
Issued share capital	HK\$53,033,474.20	HK\$53,033,474.20
Number of unissued SCI Shares	469,665,258	2,348,326,290
Unissued share capital	HK\$46,966,525.80	HK\$46,966,525.80

The SCI Subdivided Shares will rank pari passu in all respects with each other and the SCI Share Subdivision will not result in any change in the relative rights of the SCI Shareholders.

Change in Board Lot and Arrangement on odd lot trading

The SCI Shares are currently traded in board lots of 2,000 SCI Shares. Upon the SCI Share Subdivision becoming effective, the SCI Subdivided Shares will be traded in board lots of 8,000 SCI Subdivided Shares.

In order to facilitate the trading of odd lots of SCI Subdivided Shares as a result of the SCI Share Subdivision and the change of the board lot size, SCI will appoint SC Securities, a fellow subsidiary of SCI, as the agent of SCI in providing a “matching service” to the holders of the SCI Subdivided Shares who wish to top-up or sell their holdings of odd lots of the SCI Subdivided Shares.

SC Securities will provide the service to match the sale and purchase of odd lots of SCI Subdivided Shares during the period from Wednesday, 5 September 2007 to Thursday, 27 September 2007 both dates inclusive. Holders of SCI Subdivided Shares in odd lots who wish to take advantage of this facility either to dispose of or top-up their odd lots to a board lot of 8,000 SCI Subdivided Shares may, directly or through their brokers, contact SC Securities during such period. Further details of which will be provided in the circular to the SCI Shareholders as soon as practicable. SCI Shareholders should note that successful matching of the sale and purchase of odd lots of SCI Subdivided Shares is not guaranteed and will depend on there being adequate amounts of odd lots of SCI Subdivided Shares available for such matching.

SCI Shareholders are recommended to consult their professional advisers if they are in any doubt about the matching facility described above.

Expected Timetable

The expected timetable for the SCI Share Subdivision is as follows:

Expected day for the despatch of the circular Wednesday, 25 July 2007

Latest time for lodging forms of proxy for the SCI EGM II 10:00 a.m. on Sunday,
19 August 2007

SCI EGM II expected to be convened on 10:00 a.m. on Tuesday,
21 August 2007

Effective date of SCI Share Subdivision Wednesday, 22 August 2007

Dealing in SCI Subdivided Shares expected to
commence on Wednesday, 22 August 2007

Existing counter for trading in SCI Shares in board lots of
2,000 SCI Shares temporarily closes 9:30 a.m. on Wednesday,
22 August 2007

Temporary counter for trading in SCI Subdivided Shares
in board lots of 10,000 SCI Subdivided Shares
(in the form of existing share certificates for
SCI Shares (in green)) opens 9:30 a.m. on Wednesday,
22 August 2007

First day of free exchange of existing certificates (in green)
for SCI Shares for new certificates (in brown)
for the SCI Subdivided Shares. Wednesday, 22 August 2007

Existing counter for trading in SCI Subdivided Shares in
board lots of 8,000 SCI Subdivided Shares
(in the form of new certificates (in brown for
SCI Subdivided Shares) re-opens 9:30 a.m. on Wednesday,
5 September 2007

Parallel trading in SCI Subdivided Shares (in the form
of new certificates (in brown) for SCI
Subdivided Shares and existing certificates
(in green) for SCI Shares) commences 9:30 a.m. on Wednesday,
5 September 2007

Temporary counter for trading in SCI Subdivided Shares
in board lots of 10,000 SCI Subdivided Shares
(in the form of existing certificates (in green)
for SCI Shares) closes 4:00 p.m. on Thursday,
27 September 2007

Parallel trading in SCI Subdivided Shares (in the form of
new certificates (in brown) for SCI Subdivided Shares
and existing certificates (in green) for SCI Shares) ends 4:00 p.m. on Thursday,
27 September 2007

Last day for free exchange of existing certificates
(in green) for SCI Shares for new certificates
(in brown) for SCI Subdivided Shares. 4:00 p.m. on Wednesday,
3 October 2007

Matching service for the sale and purchase of odd lots of
SCI Subdivided Shares. from 5 September 2007 to
27 September 2007

Free Exchange of Share Certificates

The SCI Shareholders may, on or after Wednesday, 22 August 2007 until Wednesday, 3 October 2007, submit existing share certificates (in green colour) in respect of the SCI Shares to SCI's share registrar and transfer office in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong to exchange at the expense of SCI, for the new share certificates (in brown colour) for the SCI Subdivided Shares. After the expiry of such period, existing share certificates for the SCI Shares will be accepted for exchange only on

payment of a fee of HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) per existing certificate or new certificate, by reference to the higher number of certificates may be. It is expected that new share certificates for the SCI Subdivided Shares will be available for collection on or after the 10th Business Day from the date of submission of the existing share certificates for the SCI Shares to SCI's share registrar and transfer office in Hong Kong at the above address. All existing share certificates in board lot of 2,000 SCI Shares each will continue to be evidence of title to such SCI Shares and may be exchanged for new share certificates for SCI Subdivided Shares at any time.

Application for listing

An application will be made to the Stock Exchange for the listing of and permission to deal in the SCI Subdivided Shares.

XII. PROPOSED SCI BONUS WARRANTS ISSUE

To enhance the return on investment for SCI Shareholders as well as the equity base of SCI, and to improve the liquidity position of SCI Shares in the market, the SCI Board has proposed an issue of SCI Bonus Warrants, upon the SCI Share Subdivision becoming effective, the terms of which are summarized below:

Basis of issue of SCI Bonus Warrants

SCI Bonus Warrants will be issued on the basis of one SCI Bonus Warrant for every five existing SCI Shares or 25 SCI Subdivided Shares (as the case may be) held by SCI Shareholders whose names appear on the register of members of SCI as at the Record Date, but excluding Overseas SCI Shareholders whose addresses on the register of members of SCI are outside Hong Kong as at the Record Date.

Subscription Price

The SCI Bonus Warrants will entitle holders to subscribe for SCI Subdivided Shares at an initial subscription price of HK\$0.40 per SCI Subdivided Share (subject to adjustments) in cash. The initial subscription price represents a discount of 80.49% to the closing price of HK\$2.05 per SCI Share as quoted on the Stock Exchange on 4 July 2007 or a discount of 2.44% to HK\$0.41 per SCI Subdivided Share and represents a discount of 80% to the average closing price of HK\$2.00 per SCI Share as quoted on the Stock Exchange for the five trading days prior to the date of this announcement or equal to HK\$0.40 per SCI Subdivided Share.

Subscription Period

The SCI Bonus Warrants will be exercisable at any time between dealings in the SCI Bonus Warrants on the Stock Exchange commence, which is expected to be on 7 September 2007 and expire three calendar years thereafter, which is expected to be on 6 September 2010 (if that day is not a Business Day, the Business Day immediately preceding such day), both days inclusive.

Number of SCI Bonus Warrants to be issued

Based on 530,334,742 SCI Shares in issue as at the date of this announcement and assuming that (i) no further SCI Shares will be repurchased prior to the Record Date, (ii) no further SCI Shares will be issued and (iii) the SCI Share Subdivision becomes effective, a total of 530,334,742 SCI Bonus Warrants will be issued, entitling the holders thereof to subscribe for 530,334,742 SCI Subdivided Shares at an initial subscription price of HK\$0.40 per SCI Subdivided Share, for an aggregate amount of HK\$212,133,896.80. Full exercise of the SCI Bonus Warrants represents 20% and 16.67% of the issued share capital of SCI and enlarged issued share capital of SCI respectively.

Condition

The SCI Bonus Warrants Issue is conditional upon the approvals of SCI Shareholders of the SCI Shares Subdivision and the SCI Bonus Warrants Issue at the SCI EGM II and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the SCI Bonus Warrants and any new SCI Subdivided Shares which may fall to be issued upon the exercise of the subscription rights attaching to the SCI Bonus Warrants.

Expected Timetable

Expected day for the despatch of the circular Wednesday, 25 July 2007

SCI EGM II expected to be convened on Tuesday, 21 August 2007

Latest time for dealing in SCI Shares cum entitlements
to the SCI Bonus Warrants Issue 4:00 p.m. Wednesday,
22 August 2007

Dealings in SCI Shares ex entitlements to the
SCI Bonus Warrants Issue expected to commence on Thursday, 23 August 2007

Latest time for lodging share transfers to qualify for the
SCI Bonus Warrants Issue 4:00 p.m. Friday,
24 August 2007

Register of members closes (both days inclusive) Monday, 27 August 2007 to
Wednesday, 29 August 2007

Record date for determination of entitlements to the
SCI Bonus Warrants Issue Wednesday, 29 August 2007

Despatch of SCI Bonus Warrant certificates Wednesday, 5 September 2007

Dealings in SCI Bonus Warrants expected to commence on Friday, 7 September 2007

Board Lot

The board lot for trading in the SCI Bonus Warrants is 32,000 units.

Application for Listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the SCI Bonus Warrants and any new SCI Subdivided Shares which may fall to be issued upon the exercise of the subscription rights attaching to the SCI Bonus Warrants. It is not proposed to list the SCI Bonus Warrants on any other stock exchange other than the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the SCI Bonus Warrants and the new SCI Subdivided Shares on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the SCI Bonus Warrants and the new SCI Subdivided Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the SCI Bonus Warrants on the Stock Exchange or such other date as determined by HKSCC.

Reasons for the Proposed SCI Bonus Warrants Issue

The SCI Directors believe that the proposed issue of SCI Bonus Warrants will enhance the return on investment for SCI Shareholders as well as the equity base of SCI, and improve the liquidity position of the SCI Shares in the market.

The issue of SCI Bonus Warrants provides an opportunity for the SCI group to raise funds to strengthen its financial position and capability to develop and expand its business. The proceeds, if all of the SCI Bonus Warrants proposed to be issued are exercised in full, will be approximately HK\$212 million, before expenses, which will enhance the working capital and net asset position of SCI. The SCI Directors believe that the proposed issue of SCI Bonus Warrants is beneficial to SCI and the SCI Shareholders as a whole.

Record Date and Closure of Register

The Record Date for ascertaining the entitlement to the SCI Bonus Warrants shall be Wednesday, 29 August 2007. The register of members of SCI will be closed from Monday, 27 August 2007 to Wednesday, 29 August 2007 (both days inclusive).

SCI Shareholders are reminded that in order to qualify for the SCI Bonus Warrants, they must ensure that all transfers accompanied by the relevant share certificates are lodged with SCI's registrar in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Friday, 24 August 2007.

Overseas SCI Shareholders

The documents to be issued in relation to the SCI Bonus Warrants will not be registered under any securities legislation outside Hong Kong. Overseas SCI Shareholders may not be entitled to the proposed SCI Bonus Warrants, whatsoever, and SCI Bonus Warrants may not be issued to the Overseas SCI Shareholders, if the offering would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable. SCI will make appropriate enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules to determine whether the Overseas SCI Shareholders should be entitled to the SCI Bonus Warrants Issue.

SCI Bonus Warrants which would otherwise have been issued to the Overseas SCI Shareholders will be sold in the market as soon as practicable after dealings in the SCI Bonus Warrants commence if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas SCI Shareholders at their own risk pro rata to their respective entitlements except that any amount of less than HK\$100 will be retained for the benefit of SCI.

Fractional Entitlements

Fractional entitlements to the SCI Bonus Warrants will not be issued to SCI Shareholders but will be aggregated and sold for the benefit of SCI. The net proceeds of sale will be retained for the benefit of SCI.

Status of SCI Subdivided Shares to be issued upon exercise of SCI Bonus Warrants

SCI Subdivided Shares which are allotted and issued on the exercise of the subscription rights attaching to the SCI Bonus Warrants will rank pari passu in all respects with the then SCI Subdivided Shares in issue.

Certificates for the SCI Bonus Warrants

It is expected that certificates for SCI Bonus Warrants will be posted on or before 5 September 2007 at the risk of the persons entitled thereto to their respective addresses shown on the register of members of SCI as at the Record Date.

GENERAL

A circular of SCI containing details of the proposed change of name of SCI, the SCI Share Subdivision and the trading arrangement in respect of the SCI Subdivided Shares and the procedures for the free exchange of existing share certificates (in green colour) for SCI Shares for new share certificates (in brown colour), and the SCI Bonus Warrants Issue together with a notice convening the SCI EGM II will be sent to the SCI Shareholders as soon as practicable.

A further announcement will be made once the change of name of stock short name and the SCI Share Subdivision have become effective.

DEFINITIONS

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

“Agreement”	the share purchase agreement dated 4 July 2007 entered into among SC Strategic, Full Sino, Tek Lee and SC Media in relation to the Transactions;
“Artful”	Artful Limited, a company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of SCH;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Bank”	Chong Hing Bank Limited (formerly known as Liu Chong Hing Bank Limited) or its successors;
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for banking business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Completion”	completion of the Transactions pursuant to the Agreement;
“Completion Date”	the second Business Day after all the conditions have been fulfilled or waived or such other date as the parties to the Agreement may agree in writing on which Completion is to take place;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Debenture and Berths”	the debentures and berths legally and beneficially owned by the relevant subsidiaries of Welbeck, details of which are set out in the section headed “Information on the SCH Sale Group”;
“EN”	The Express News Limited, a company incorporated with limited liability in Hong Kong which is an indirect subsidiary of SCH;

“FS Travel”	Four Seas Travel (BVI) Limited, a company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of SC Strategic;
“Full Sino”	Full Sino Profits Limited, a company incorporated in the British Virgin Islands with limited liability which is indirectly wholly-owned by SCI;
“Greenearn”	Greenearn Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SCH;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Limehouse”	Limehouse Investments Limited, a company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of SCH;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas SCI Shareholders”	the SCI Shareholders whose addresses as shown in the register of members of SCI at the close of business on the Record Date are outside Hong Kong;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
“Property 1”	Factory Unit A, Ground Floor, Cheung Wah Industrial Building, Nos. 10-12, Shipyard Lane, Quarry Bay, Hong Kong with total saleable area of 5,722 sq. feet and Property 1 is currently leased for commercial use;
“Property 2”	Factory Unit B, Ground Floor, Cheung Wah Industrial Building, Nos. 10-12, Shipyard Lane, Quarry Bay, Hong Kong with total saleable area of 6,175 sq. feet and Property 2 is currently leased for commercial use;
“Qualifying SCI Shareholders”	SCI Shareholder(s) as at the close of business on the Record Date other than the Overseas SCI Shareholders;
“Record Date”	29 August 2007, being the record date by reference to which entitlements to the SCI Bonus Warrants are determined;

“SC Media”	South China Media Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCH;
“SC Securities”	South China Securities Limited, an indirect subsidiary of SCH and a fellow subsidiary of SCI, incorporated in Hong Kong with limited liability;
“SC Strategic”	South China Strategic Limited, a company incorporated in Hong Kong with limited liability which is indirectly wholly-owned by SCI;
“SCH”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“SCH Board”	the board of SCH Directors;
“SCH Consideration”	HK\$122.1 million, being consideration for the SCH Sale Shares and the SCH Sale Debts;
“SCH Directors”	the directors (including the independent non-executive directors) of SCH;
“SCH EGM”	the extraordinary general meeting of SCH to be held to approve, among other things, the Transactions;
“SCH Independent Board Committee”	an independent committee of the SCH Board established to advise the SCH Independent Shareholders on the Transactions;
“SCH Independent Shareholders”	holders of SCH Shares other than Mr. Ng Hung Sang and his associates;
“SCH Nominee(s)”	any wholly-owned subsidiary(ies) (direct or indirect) of SCH which will be nominated by SCH to acquire the SCI Sale Shares and the SCI Sale Debts;
“SCH Sale Group”	collectively, Limehouse, Welbeck and Artful and their respective subsidiaries;
“SCH Sale Debts”	the total outstanding interest-free loans (HK\$192.0 million in the aggregate as at the date of the Agreement) due from the relevant members of the SCH Sale Group to Tek Lee and Diamond Coin Assets Limited (being a wholly-owned subsidiary of Tek Lee) as at the Completion Date;

“SCH Sale Shares”	collectively, (i) 1 share in Limehouse, representing the entire issued share capital of Limehouse; (ii) 1 share in Welbeck, representing the entire issued share capital of Welbeck; and (iii) 1 share in Artful, representing the entire issued share capital of Artful;
“SCH Shareholders”	holders of SCH Shares;
“SCH Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of SCH;
“SCI”	South China Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability and a subsidiary of SCH, the shares of which are listed on the Main Board of the Stock Exchange;
“SCI Board”	the board of SCI Directors;
“SCI Bonus Warrant(s)”	the warrant(s) to be issued by SCI, in registered form, in units of subscription rights entitling the holder(s) thereof to subscribe for up to a maximum aggregate amount of HK\$212,133,896.80 for new SCI Subdivided Shares at an initial subscription price of HK\$0.40 per SCI Subdivided Share;
“SCI Bonus Warrants Issue”	the issue of 1 SCI Bonus Warrant for every 5 existing SCI Shares or 25 SCI Subdivided Shares (as the case may be);
“SCI Consideration”	HK\$122.1 million, being consideration for the SCI Sale Shares and the SCI Sale Debts;
“SCI Directors”	the directors (including the independent non-executive directors) of SCI;
“SCI EGM I”	the extraordinary general meeting of SCI to be held to approve, among other things, the Transactions;
“SCI EGM II”	the extraordinary general meeting of SCI to be held to approve, among other things, the change of name, the SCI Share Subdivision and the SCI Bonus Warrants Issue;
“SCI Independent Board Committee”	an independent committee of the SCI Board established to advise the SCI Independent Shareholders on the Transactions;
“SCI Independent Shareholders”	holders of SCI Shares other than Mr. Ng Hung Sang, Super Giant, Worldunity, Greenearn and their respective ultimate beneficial owners and their respective associates;

“SCI Nominee(s)”	any wholly-owned subsidiary(ies) (direct or indirect) of SCI which will be nominated by SCI to acquire the SCH Sale Shares and the SCH Sale Debts;
“SCI Sale Debts”	the total outstanding interest-free loans (HK\$48.4 million in the aggregate as at the date of the Agreement) due from relevant members of the SCI Sale Group to SC Strategic (being an indirect subsidiary of SCI) at Completion;
“SCI Sale Group”	collectively, SCN and FS Travel and their respective subsidiaries;
“SCI Sale Shares”	collectively, (i) 1 share in SCN, representing the entire issued share capital of SCN; and (ii) 100 shares in FS Travel, representing the entire issued share capital of FS Travel;
“SCI Share Subdivision”	the sub-division of each issued and unissued share of HK\$0.10 each in the share capital of SCI into 5 shares of HK\$0.02 each;
“SCI Shareholders”	holders of SCI Shares;
“SCI Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of SCI;
“SCI Subdivided Share(s)”	upon the SCI Share Subdivision becoming effective, ordinary share(s) of HK\$0.02 each in the share capital of SCI;
“SCN”	Southchinanet.com (BVI) Limited, a company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of SCI;
“Spark-Inn”	Spark-Inn Investments Limited, a company incorporated with limited liability in Hong Kong which is a wholly-owned subsidiary of Limehouse;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Super Giant”	Super Giant Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of SCH;
“Tek Lee”	Tek Lee Finance And Investment Corporation Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by SCH;

“Transactions”	collectively, the proposed sale and purchase of the SCH Sale Shares and the SCH Sale Debts and the proposed sale and purchase of the SCI Sale Shares and the SCI Sale Debts;
“Welbeck”	Welbeck Holdings Limited, a company incorporated with limited liability in the British Virgin Islands and an indirect wholly-owned subsidiary of SCH;
“Worldunity”	Worldunity Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SCH;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

On behalf of the Board of
South China Holdings Limited
Cheung Choi Ngor
Director

On behalf of the Board of
South China Industries Limited
Cheung Choi Ngor
Director

Hong Kong, 4 July 2007

As at the date of this announcement, the SCH Board comprises four executive directors, being Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung, Peter; two non-executive directors, being Mr. David Michael Norman and Ms. Ng Yuk Mui, Jessica; and three independent non-executive directors, being Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei.

As at the date of this announcement, the SCI Board comprises four executive directors, being Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor and Mr. Ng Yuk Fung, Peter; one non-executive director, being Ms. Ng Yuk Mui, Jessica; and three independent non-executive directors, being Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth, and Ms. Li Yuen Yu, Alice.