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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

DISCLOSEABLE TRANSACTION

RELATING TO

(1) THE ACQUISITION OF SHARES IN

NORITY INTERNATIONAL GROUP LIMITED BY MICON LIMITED;

AND

(2) MANDATORY UNCONDITIONAL CASH OFFER

TO ACQUIRE ALL THE ISSUED SHARES OF

NORITY INTERNATIONAL GROUP LIMITED

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Acquisition”	acquisition of the Sale Shares by the Offeror in accordance to the terms of the Sale and Purchase Agreement
“Announcement”	The announcement dated 30 March 2006 jointly made by the Company, SCI and the Offeror containing, among other things, details of the Acquisition and the Offer
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company” or “SCH”	South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms of the Sale and Purchase Agreement
“Dao Heng Securities”	Dao Heng Securities Limited, a licensed corporation to carry on business in types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) under the SFO
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Latest Practicable Date”	19 April 2006, being the Latest Practicable Date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Nority”	Nority International Group Limited, a company incorporated in the Cayman Islands with limited liability and the Nority Shares are listed on the main board of the Stock Exchange

DEFINITIONS

“Nority Board”	the board of Nority Directors
“Nority Director(s)”	director(s) of Nority
“Nority Group”	Nority and its subsidiaries
“Nority Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of Nority
“Nority Shareholder(s)”	holder(s) of Nority Shares
“Offer”	the mandatory unconditional cash offer for all the issued Nority Shares which are not owned or agreed to be acquired by the Offeror and parties acting in concert with it to be made by Dao Heng Securities on behalf of the Offeror in accordance with the Takeovers Code
“Offeror” or “Purchaser”	Micon Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of SCI which itself is a subsidiary of the Company
“Offer Price”	HK\$0.47 per Nority Share
“Sale and Purchase Agreement”	the sale and purchase agreement dated 24 March 2006 entered into amongst the Vendors and the Offeror in relation to the sale by the Vendors and the purchase by the Offeror of the Sale Shares
“Sale Shares”	24,972,500 Nority Shares acquired by the Offeror pursuant to the Sale and Purchase Agreement
“SCI”	South China Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the main board of the Stock Exchange. As at the Latest Practicable Date, SCH holds approximately of 74.79% of the total issued share capital of SCI
“SCI Group”	SCI and its subsidiaries
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	The Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	vendors of the Sale Shares, being individuals and third parties independent of the Company, SCI, the Offeror and their respective connected persons
“%”	per cent



SOUTH CHINA HOLDINGS LIMITED

南華集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)

Mr. Richard Howard Gorges

Ms. Cheung Choi Ngor

Mr. Ng Yuk Fung, Peter

Non-executive Directors:

Mr. David Michael Norman

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

Mr. David John Blackett

Ms. Wong Siu Yin, Elizabeth

Mr. Cheng Hong Kei

Registered office:

Scotia Centre

4th Floor

P.O. Box 2804

George Town

Grand Cayman

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

28/F., Bank of China Tower

1 Garden Road, Central

Hong Kong

21 April 2006

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

RELATING TO

(1) THE ACQUISITION OF SHARES IN

NORITY INTERNATIONAL GROUP LIMITED BY MICON LIMITED;

AND

(2) MANDATORY UNCONDITIONAL CASH OFFER

TO ACQUIRE ALL THE ISSUED SHARES OF

NORITY INTERNATIONAL GROUP LIMITED

INTRODUCTION

The directors of SCI, the Company and the Offeror jointly announced that on 24 March 2006, the Offeror, a wholly-owned subsidiary of SCI, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Offeror has agreed to purchase and the Vendors have agreed to sell the Sale Shares for a consideration of HK\$11,737,075 (equivalent to HK\$0.47 per Sale Share). The Sale Shares represent an approximately of 9.31% of the entire issued share capital of Nority as at the date of the Announcement.

LETTER FROM THE BOARD

The purpose of this circular is to give you further details of the Acquisition and the Offer and other information prescribed by the Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Date : 24 March 2006

Parties

Vendors : the Vendors, who (i) are third parties independent of the Company, SCI, the Offeror and their respective connected persons; and (ii) are not acting in concert with any of the Company, SCI and the Offeror or their respective concert parties.

Purchaser : Micon Limited, a wholly-owned subsidiary of SCI

Subject : 24,972,500 Nority Shares

Consideration : HK\$11,737,075 (equivalent to HK\$0.47 per Sale Share) to be satisfied by cash. The consideration was arrived at after arm's length negotiations between the parties involved, having taken into account the recent market performance of the Nority Shares prior to suspension of trading in the Nority Shares on 24 March 2006.

Completion : On 24 March 2006, the transfer documents in respect of the Sale Shares were duly executed by the Vendors and the Purchaser and were duly stamped thereafter. The share certificates in respect of the Sale Shares have been issued in the name of the Purchaser.

MANDATORY UNCONDITIONAL CASH OFFER

Following Completion, the Offeror and parties acting in concert with it in aggregate own 139,091,040 Nority Shares, representing approximately 51.83% of the entire issued share capital of Nority. The Offeror is therefore required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued Nority Shares which are not owned or have not been agreed to be acquired by it and parties acting in concert with it.

Pursuant to Rule 8.2 of the Takeovers Code, within 21 days after the date of the Announcement or such later date as the Executive may approve, the Offeror is required to despatch an offer document in relation to the Offer. The offer document containing, amongst other things, the terms of the Offer, together with the form of acceptance have been despatch to the Nority Shareholders on 10 April 2006.

The Offer

For each Nority Share HK\$0.47 in cash

The Offer Price is the same as the price paid by the Offeror for each Sale Share under the Sale and Purchase Agreement.

LETTER FROM THE BOARD

As at the Latest Practicable Date, based on the information set out in the annual report of Nority for the year ended 31 December 2004 and the interim report of Nority for the six months ended 30 June 2005, Nority has no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Nority Shares and has not entered into any agreement for the issue of any options, warrants or securities convertible or exchangeable into Nority Shares.

Comparison of Value

The Offer Price of HK\$0.47 per Nority Share represents:

- (a) a premium of approximately 14.63% over the closing price of HK\$0.41 per Nority Share as quoted on the Stock Exchange on 23 March 2006, being the last full trading day before the release of the Announcement;
- (b) a premium of approximately 40.30% over the average closing price of approximately HK\$0.335 per Nority Share as quoted on the Stock Exchange over the last 10 consecutive full trading days up to and including 23 March 2006;
- (c) a discount of approximately 39.74% over the audited consolidated net asset value per issued Nority Share of approximately HK\$0.780 as at 31 December 2004, based on the Nority Group's audited consolidated net asset value as at 31 December 2004 (being restated in Nority's interim report for the six months ended 30 June 2005) and 268,372,612 Nority Shares in issue as at 31 December 2004; and
- (d) a discount of approximately 37.42% over the unaudited consolidated net asset value per issued Nority Share of HK\$0.751 as at 30 June 2005, based on Nority's interim report for the six months period ended 30 June 2005 and 268,372,612 Nority Shares in issue as at 30 June 2005.

As at the Latest Practicable Date, based on the information set out in the interim report of Nority for the six months ended 30 June 2005, there are 268,372,612 Nority Shares in issue. On the basis of the Offer Price at HK\$0.47 per Nority Share, the entire issued share capital of Nority is valued at approximately HK\$126,135,128. The Offer is being made for 129,281,572 Nority Shares being valued at approximately HK\$60,762,339 based on the Offer Price. Dao Heng Securities has been engaged by the Offeror as its financial adviser in respect of the Offer and will make the Offer on behalf of the Offeror. Dao Heng Securities is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer. The Offeror is using the bank credit facility of HK\$40,000,000 made available to the Offeror and SCI and the internal resources of SCI to finance the Offer. SCI has provided a corporate guarantee and the Company has provided a prorated corporate guarantee to the bank in respect of the bank credit facility.

Highest and lowest prices

The highest closing price per Nority Share, based on the Nority Share price as quoted on the Stock Exchange during the six-month period immediately preceding the date of the Sale and Purchase Agreement, was HK\$0.41 during the period from 17 March 2006 to 23 March 2006.

LETTER FROM THE BOARD

The lowest closing price per Nority Share, based on the Nority Share price as quoted on the Stock Exchange during the six-month period immediately preceding the date of the Sale and Purchase Agreement, was HK\$0.26 during the period from 24 September 2005 to 16 March 2006.

Effect of accepting the Offer

By accepting the Offer, Nority Shareholders will sell their Nority Shares and all rights attached to them, including the rights to receive all dividends and distributions declared, made or paid on or after the date of the Sale and Purchase Agreement.

Payment

Payment in cash in respect of acceptances of the Offer less the relevant stamp duty will be made as soon as possible but in any event within 10 days from the date on which the requisite documents are received by the registrar of Nority to render each such acceptance complete and valid.

Stamp duty

Sellers' ad valorem stamp duty arising in connection with acceptances of the Offer, amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration payable in respect of the relevant acceptance, will be payable by the Nority Shareholders who accept the Offer and will be deducted from the consideration payable on acceptance of the Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Nority Shareholders in respect of the Nority Shares accepted under the Offer.

REASON FOR THE TRANSACTION

SCI has been engaged in the footwear business for more than ten years. The directors of SCI believe that the merger of the Nority Group into SCI footwear business units will complement each other and give further benefits, in terms of economy of scale and business growth, to the footwear operations as a whole. The directors of SCI are of the view that the terms of the Sale and Purchase Agreement and the Offer are fair and reasonable and the Acquisition and the Offer are in the interests of SCI and its shareholders as a whole. Upon completion of the Acquisition and the Offer, Nority will become a subsidiary of the Offeror and an indirect subsidiary of each of SCI and the Company. The results of Nority will be consolidated into the books of SCI and the Company accordingly.

The Directors concur with the view of the directors of SCI that the terms of the Sale and Purchase Agreement and the Offer are fair and reasonable and the Acquisition and the Offer are in the interests of SCH and its shareholders as a whole.

INFORMATION OF NORITY

The principal activity of Nority is investment holding. Its subsidiaries are principally engaged in the manufacture and export of athletic, athletic-style leisure footwear and golf shoes.

LETTER FROM THE BOARD

Based on the interim report of Nority for the six months ended 30 June 2005, the following table sets out the shareholding structure of Nority immediately before and after the Acquisition:

	Before the Acquisition		After the Acquisition and before the Offer	
	<i>Nority Shares</i>	<i>%</i>	<i>Nority Shares</i>	<i>%</i>
The Offeror and parties acting in concert with it ⁽¹⁾	114,118,540	42.52	139,091,040	51.83
Feng Shen Chuan ⁽²⁾	72,878,313	27.16	72,878,313	27.16
Kuo Shu Chen ⁽²⁾	3,067,248	1.14	3,067,248	1.14
Feng Yung Chuan ⁽²⁾	7,501,500	2.80	7,501,500	2.80
Wu Xiaqin ⁽²⁾	80,000	0.03	80,000	0.03
Public	70,727,011	26.35	45,754,511	17.04
	<u>268,372,612</u>	<u>100.00</u>	<u>268,372,612</u>	<u>100.00</u>

Notes:

- (1) The Offeror is a wholly-owned subsidiary of SCI which is itself a subsidiary of the Company.
- (2) Mr. Feng Shen Chuan, Ms. Kuo Shu Chen, Mr. Feng Yung Chuan and Ms. Wu Xiaqin are the executive Nority Directors.

According to the annual report of Nority for the two financial years ended 31 December 2004, the Nority Group recorded loss before taxation of approximately HK\$24.4 million and HK\$30.2 million for the year ended 31 December 2003 and 31 December 2004 respectively, and net loss of approximately HK\$22.6 million and HK\$29.5 million for the year ended 31 December 2003 and 31 December 2004 respectively. The Nority Group's audited net asset value as at 31 December 2004 was approximately HK\$209.4 million (restated in the Nority Group's interim results for the six months ended 30 June 2005). According to the interim report of Nority for the six months ended 30 June 2005, it recorded unaudited loss before taxation of approximately HK\$7.9 million and unaudited net loss of approximately HK\$8.0 million for the six months ended 30 June 2005. The Nority Group's unaudited net asset value as at 30 June 2005 was approximately HK\$201.4 million.

According to the annual report of Nority for the two financial years ended 31 December 2004, the core business of the Nority Group continued to report a loss in 2004. It was mainly due to the intense competition from its peers and the combined effect of the falling United States dollars and fluctuations in oil prices, which resulted in a sharp increase in the prices of imported raw materials. It is also stated in the interim report of Nority for the six months ended 30 June 2005, staff changes and restructuring of the Nority Group made it extremely challenging to the Nority Group. During the six months ended 30 June 2005, due to the historical high in oil prices, the increase in labour cost in Pearl River Delta Region and the competition in the shoe manufacturing industry, the business environment was still very difficult. Despite the Nority Group's continued efforts on controlling overall costs of manufacturing, selling and administrative expenses, pressure from the market was still enormous. Under such unfavourable business environment, the Nority Group's business for the six months ended 30 June 2005 continued to incur losses.

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR

The Offeror, a company incorporated in Hong Kong on 1 July 1988, is a substantial shareholder of Nority before Completion. The Offeror has been an investor in Nority since 1990. Prior to the listing of Nority on the main board of the Stock Exchange in February 1993, the Offeror was interested in 30% of the total issued share capital of Nority. Immediately following the listing of Nority, the Offeror's shareholding was diluted to approximately 22.5%. Since then, the Offeror acquired additional Nority Shares for long-term investment purposes. Immediately prior to Completion, the Offeror and the parties acting in concert with it own 114,118,540 Nority Shares, representing approximately 42.52% of the entire issued share capital of Nority.

The Offeror is a wholly-owned subsidiary of SCI which is itself a subsidiary of the Company. SCI is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, compressors, shoes, metal tooling, leather products, motors, machinery, capacitors, clothing, property investment and development, agriculture, information technology and travel related businesses. The Company beneficially holds 74.79% of the issued share capital of SCI.

The Company is a corporation beneficially owned by Mr. Ng Hung Sang as to approximately 73.72% as at the Latest Practicable Date, of which, approximately 26.76% is held together with Mr. Richard Howard Gorges and Ms. Cheung Choi Ngor as parties acting in concert with Mr. Ng Hung Sang. The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the trading and manufacturing, securities and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services and underwriting services, information technology, property investment and development, agriculture, implementation and marketing of software applications, publishing and printing business, marketing and promotional services, sale of air ticket and travel related businesses.

The Offeror confirms that save and except for the entering into of the Sale and Purchase Agreement, there have been no dealings in the Nority Shares by the Offeror in the six-month period preceding the date of the Sale and Purchase Agreement. The Offeror has no Board representation after it became a controlling shareholder of Nority.

INTENTION OF THE OFFEROR REGARDING THE NORITY GROUP

Following the close of the Offer, the Offeror intends that the Nority Group will continue its existing business and will maintain the listing status of Nority on the main board of the Stock Exchange. However, the Offeror will conduct a review on the business activities and assets of the Nority Group for the purpose of formulating business plans and strategies for the future business development of the Nority Group. The Offeror has no intention to discontinue the employment of the employees (save for a possible change in the composition of the Nority Board) or to dispose of or re-deploy the assets of the Nority Group as a result of the Offer. The Offeror has no intention to inject any assets or businesses into Nority.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Nority has four executive directors, namely Mr. Feng Shen Chuan, Ms. Kuo Shu Chen, Mr. Feng Yung Chuan and Ms. Wu Xiaqin and three independent non-executive directors, namely Mr. Lo Kwok Kwei, David, Mr. Au Wing Kit and Ms. Eugenia Yang. It is the intention of the Offeror to appoint Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung, Peter, Mr. Lo Chak Wa and Ms. Cheung Lai Lin, Pealin as additional executive directors of Nority and Mr. Chiu Sin Chun, Ms. Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice as additional independent non-executive directors of Nority.

The Stock Exchange has stated that, upon Completion and in the event that less than 25% of the Nority Shares are in public hands following the closing of the Offer or if the Stock Exchange believes that a false market exists or may exist in Nority Shares or that there are insufficient Nority Shares in public hands to maintain an orderly market, then it will consider exercising its discretion to suspend trading in Nority Shares. Each of the Offeror, SCI and their respective directors will undertake to the Stock Exchange, on a reasonable effort basis, to take appropriate steps to ensure that sufficient public float exists in the Nority Shares.

The Stock Exchange has also stated that, if Nority remains a listed company, any future injections of assets into or disposals of assets of Nority will be subject to the provisions of the Listing Rules. The Stock Exchange also has the power pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals by Nority and any such acquisitions or disposals may, in any event, result in Nority being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

COMPLIANCE WITH THE TAKEOVERS CODE

In accordance with Rule 3.8 of the Takeovers Code, associates of the Offeror (within the meaning of the Takeovers Code) are hereby reminded to disclose their dealings in any securities of Nority pursuant to the requirements of the Takeovers Code.

Pursuant to Note 11 of Rule 22 of the Takeovers Code, stockbrokers, banks and other intermediaries 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 of the Takeovers Code 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 of the Takeovers Code. 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 HK\$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 as to those dealings, including identities of clients, as part of that co-operation.

According to Rule 4 of the Takeovers Code, no action which could effectively result in the Offer being frustrated, or in the shareholders of Nority being denied an opportunity to decide on the merits of the Offer, shall be taken by the Nority Board in relation to the affairs of Nority without the approval of the shareholders of Nority in general meeting. In particular, the Nority Board must not, without the approval of the Nority Shareholders, do or agree to do the following:

LETTER FROM THE BOARD

- (a) issue any Nority Shares;
- (b) create, issue or grant, or permit the creation, issue or grant of, any convertible securities, options or warrants in respect of the Nority Shares;
- (c) sell, dispose of or acquire assets of a material amount;
- (d) enter into contracts, including service contracts, otherwise than in the ordinary course of business; or
- (e) cause Nority or any subsidiary or associated company to purchase or redeem any Nority Shares or provide financial assistance for any such purchase.

FINANCE EFFECT OF THE ACQUISITION AND THE OFFER

Following the Acquisition, Nority Group, an associate company before the Acquisition, will become an indirect subsidiary of SCI and the Company and the financial results of Nority Group will be fully consolidated in the consolidated financial statement of SCI and the Company (instead of equity accounted for).

On the assumption that the Offer be funded by bank borrowings of HK\$40 million and the internal resources of SCI and be accepted by all Nority Shareholders (other than those held by the Offeror), an additional interest to the loan will be incurred and also, there will be a decrease in profit attributable to the equity holders of SCI due to the additional loss to be shared by the SCI Group with the increase in its shareholding in Nority Group.

In addition to fully consolidation of the assets and liabilities of Nority Group, the interests in associates will be decreased and the in bank balances will be reduced, there will be no significant change in assets of SCI Group and the total bank borrowings will be increased to finance the Offer.

GENERAL

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for the Acquisition and the Offer represents more than 5% but less than 25%, the Acquisition and the Offer constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

OTHER INFORMATION

Your attention is also drawn to the general information set out in the Appendix of this circular.

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF DIRECTORS' INTERESTS

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

(a) The Company

Name of director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of existing issued share capital
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner Interest of controlled corporations	71,652,200 1,272,529,612 (Note a)	1,344,181,812	73.72%
Mr. Richard Howard Gorges ("Mr. Gorges")	Persons acting in concert	487,949,760 (Note a)	487,949,760	26.76%
Ms. Cheung Choi Ngor, ("Ms. Cheung")	Persons acting in concert	487,949,760 (Note a)	487,949,760	26.76%

(b) Associated corporations

(1) Interest in shares

(i) South China Brokerage Company Limited (“SCB”) (Note b)

Name of director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Beneficial owner	7,378,000	3,633,830,500	72.61%
	Interests of controlled corporations	3,626,452,500 (Note c)		
Mr. Gorges	Beneficial owner	12,174,000	12,174,000	0.24%

(ii) South China Industries Limited (“SCI”) (Note d)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	396,621,357 (Note e)	74.79%

(iii) Nority International Group Limited (“Nority”) (Note f)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	139,091,040 (Note g)	51.83%

(iv) Wah Shing International Holdings Limited (“Wah Shing”) (Note h)

Name of director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	257,283,175 (Note i)	94.53%

(v) South China Financial Credits Limited (“SCFC”) *(Note j)*

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

(vi) The Express News Limited (“Express News”) *(Note k)*

			Approximate
Name of director	Capacity	Number of ordinary shares	percentage of shareholding
Mr. Ng	Interests of controlled corporations	30 <i>(Note l)</i>	30%

(2) Interest in the underlying shares of SCB

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

* Represents share options granted to the directors, details of which are as follows:–

Name of director	Date of Grant	Subscription Price	No. of share options granted	Exercise Period
Mr. Gorges	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Ms. Cheung	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011
Mr. Ng Yuk Fung Peter	16/03/2006	HK\$0.128	10,000,000	16/03/2007 – 15/03/2009
			10,000,000	16/03/2008 – 15/03/2010
			10,000,000	16/03/2009 – 15/03/2011

Notes:

- (a) The 1,272,529,612 shares referred to above include 371,864,000 shares held by Parkfield Holdings Limited (“Parkfield”), 396,050,252 shares held by Fung Shing Group Limited (“Fung Shing”), 16,665,600 shares held by Ronastar Investments Limited (“Ronastar”), 237,303,360 shares held by Bannock Investment Limited (“Bannock”) and 250,646,400 shares held by Eartrade Investments Limited (“Eartrade”). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Ms. Cheung and 20% by Mr. Gorges, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Ms. Cheung and Mr. Gorges are deemed to have interest in 487,949,760 shares in the Company, which are being held by both Bannock and Eartrade.
- (b) The Company owns 72.61% in the issued share capital of SCB.
- (c) The 3,626,452,500 shares in SCB are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCB under the SFO.
- (d) SCI is a 74.79% owned subsidiary of the Company.
- (e) The 396,621,357 shares in the Company are held by certain wholly-owned subsidiaries of the Company. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of SCI under the SFO.
- (f) SCI owns 51.83% shareholdings in Nority and is considered as the SCI’s subsidiary.
- (g) The 139,091,040 shares in Nority are held by an indirect wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Nority under the SFO.
- (h) Wah Shing, a Singapore listed company, is a 94.53% owned subsidiary of SCI.
- (i) The 257,283,175 shares in Wah Shing are held by a wholly-owned subsidiary of SCI. By virtue of the interests in the shares of the Company in relation to which Mr. Ng has a duty of disclosure under the SFO in the issued share capital of the Company as described in Note (a) above and as a director of the Company, Mr. Ng is taken to have a duty of disclosure in relation to the said shares of Wah Shing under the SFO.
- (j) SCFC is a 97.44% owned subsidiary of SCB.
- (k) Express News is a 70% owned subsidiary of the Company.
- (l) Mr. Ng and his family, through a company wholly owned and controlled by them, have interests in 30 shares in Express News.
- (m) All interest disclosed above represent long position.

3. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS’ INTERESTS OR SHORT POSITIONS UNDER THE SFO

As at the Latest Practicable Date, so far as was known to the Directors, those persons, other than Directors or chief executive of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name	Capacity	Number of Shares	Approximate percentage of shareholding	Notes
Earntrade	Beneficial owner	487,949,760	26.76%	(a)
Bannock	Beneficial owner	237,303,360	13.01%	(a)
Parkfield	Beneficial owner	371,864,000	20.39%	(b)
Fung Shing	Beneficial owner	396,050,252	21.72%	(b)

Notes:

- (a) Earntrade is the holding company of Bannock. The 487,949,760 shares referred to above include the 237,303,360 shares held by Bannock. Mr. Ng, Mr. Gorges and Ms. Cheung have beneficial interests in Earntrade.
- (b) Parkfield and Fung Shing are wholly-owned by Mr. Ng, the chairman of the Company.
- (c) All interests disclosed above represent long positions.

According to the register of interests in shares and short positions kept by the Company under section 336 of the SFO and so far as was known to the Directors, other than the interests and short positions disclosed above, there were no persons (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO

4. SERVICE CONTRACTS

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

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng, chairman and executive director of the Company, is also chairman, executive director and controlling shareholder of Jessica Publications Limited ("JPL") and co-chairman, executive director and controlling shareholder of Capital Publications Limited ("CPL"). Mr. Ng, personally and through Parkfield, Fung Shing and Ronastar, has interest in JPL and CPL. Mr. Ng together with Ms. Cheung and Mr. Gorges, executive directors of the Company, have beneficial interests in Earntrade, which directly and indirectly through Bannock holds shares in JPL and CPL. Ms. Cheung, who was an ex-director of Capital Publishing Limited, a wholly-owned subsidiary of CPL and Mr. Gorges, are also directors of various members of the Group. As both JPL and CPL are principally engaged in publication business, Mr. Ng, Ms. Cheung and Mr. Gorges are regarded to be interested in such competing businesses of the Group. Ms. Ng, Jessica Yuk Mui, a non-executive director of the Company, is also a non-executive director of SCI, JPL and CPL. Mr. Ng Yuk Fung, Peter, an executive director of the Company, is also an executive director of CPL, and an executive director and chief executive officer of JPL. They are therefore regarded to be interested in such competing businesses of the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any significant competition with the business of the Group or any significant conflicts with the interests of the Group.

6. LITIGATION

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration or claims which is, in the opinion of the Directors, of material importance and no litigation or claims which is, in the opinion of the Directors, of material importance is known to them to be pending or threatened against any of the Company and its subsidiaries.

7. GENERAL

- (a) The secretary of the Company and qualified accountant of the Company appointed pursuant to Rule 3.24 of the Listing Rules is Ms. Cheung Siu Lan, who is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the Australian Society of Certified Practising Accountants. She is also an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands, and its head office and principal place of business in Hong Kong is situated at 28th Floor, Bank of China Tower, 1 Garden Road Central, Hong Kong. The transfer office of the Company is Union Registrars Limited at 311-312 Two Exchange Square, Central, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.