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**SOUTH CHINA HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 265)

**Very Substantial Disposal and Connected Transactions  
in relation to indirect disposal by  
South China Industries Limited of  
the remaining 49% equity interest in Praise Rich Limited**

**Very Substantial Acquisition and Connected Transactions  
in relation to the full conversion of  
Convertible Notes**



**SOUTH CHINA INDUSTRIES LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 413)

**Very Substantial Disposal and Connected Transactions  
in relation to indirect disposal of the remaining  
49% equity interest in Praise Rich Limited**

**Very Substantial Acquisition and Connected Transactions  
in relation to the full conversion of  
Convertible Notes**



**SOUTH CHINA LAND LIMITED**

**南華置地有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock Code: 8155)

**Very Substantial Acquisition and Connected Transactions  
in relation to acquisition of the remaining 49% equity interest in Praise Rich Limited**

**JOINT ANNOUNCEMENT**

**THE ACQUISITION**

On 9 January 2007, SCL, the Vendor and SCI entered into the 9 January 2007 Agreement pursuant to which the Vendor sold the Previous Sale Shares and procured the sale of the Previous Sale Debt and SCL purchased such Previous Sale Shares and such Previous Sale Debt, and SCI had guaranteed the due performance of the Vendor's obligations thereunder, in each case upon and subject to the terms and conditions set out therein. Details of the Previous Transaction were set out in the joint announcement dated 10 January 2007 and the respective circulars of SCL, SCH and SCI dated 12 February 2007. The completion of the sale and purchase of the Previous Sale Shares and the Previous Sale Debt took place on 12 March 2007. Accordingly, the Vendor transferred the Previous Sale Shares and procured the assignment of the Previous Sale Debt to SCL and SCL issued the Convertible Note I to Skychance, a company nominated by the Vendor to hold the Convertible Notes.

On 30 April 2007, SCL, the Vendor and SCI entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Shares and procure the sale of the Sale Debt to SCL at a consideration of HK\$392 million. The Consideration is to be satisfied by SCL issuing to Skychance the Convertible Note II.

The Continuing Guarantee and the Guarantee for the principal amounts of HK\$80 million and HK\$500 million respectively were approved by both the SCH Independent Shareholders and SCI Independent Shareholders at the extraordinary general meetings of SCH and SCI both held on 8 March 2007. As at the date of this announcement, the Continuing Guarantee and the Guarantee remain existing and valid. Upon Completion, Praise Rich will become a wholly-owned subsidiary of SCL and upon the full conversion of the Convertible Notes, SCL will become a subsidiary of SCI and SCH. Therefore, Praise Rich will become an indirect subsidiary of SCH and SCI and the results of the Project will be consolidated in SCH and SCI. As such, SCH Directors and SCI Directors considered the Continuing Guarantee and the Guarantee is required to be remained unchanged.

#### **CERTAIN EFFECTS OF THE TRANSACTION UNDER THE AGREEMENT AND FULL CONVERSION OF THE CONVERTIBLE NOTES**

Praise Rich, an indirect associate of SCI and a direct subsidiary of SCL, is an investment holding company holding all the shares of Ever Talent which in turn is the foreign investor holding an equity interest of 80% in Liaoning Dafa. Immediately after Completion, Praise Rich, holding an equity interest of 80% in Liaoning Dafa, will become a wholly-owned subsidiary of SCL.

Immediately after Completion and upon full conversion of the Convertible Notes (assuming no further SCL Shares will be issued from the date of this announcement until such conversion), SCI, through Skychance, will become the controlling shareholder of SCL interested in 95.47% of SCL's enlarged issued share capital.

As the percentage ratios under the relevant tests are over 100% and Mr. Ng and his associates are the existing controlling group of shareholders in SCL, SCH and SCI, the Transaction will constitute a connected transaction and very substantial acquisition for SCL under the GEM Listing Rules.

As the percentage ratio under the consideration test of the Transaction when aggregated with the Previous Transaction is over 75% and Mr. Ng and his associates are the existing controlling group of shareholders in SCL, SCH and SCI, the Transaction will constitute very substantial disposal and connected transactions for both SCI and SCH under the Listing Rules. Upon full conversion of the Convertible Notes, SCL will become a subsidiary of SCI and SCH. As the percentage ratio under the consideration test is over 100%, the full conversion of the Convertible Notes will constitute a very substantial acquisition and connected transactions for SCI and SCH.

Immediately after Completion and full conversion of the Convertible Notes, the existing controlling stake of Mr. Ng and his associates in SCL (without taking into account his/their interests in SCI through SCH) will be diluted from their existing collective 68.45% to 3.10% of the enlarged issued share capital of SCL. Immediately after Completion and full conversion of the Convertible Notes, the controlling stake of Mr. Ng and his associates in SCL (taking into account of his/their interests in SCI through SCH) will be 98.57% of the enlarged issued share capital of SCL. There will be no change in control of SCL upon the full conversion by Skychance of the Convertible Notes.

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

## I. INTRODUCTION

On 9 January 2007, SCL, the Vendor and SCI entered into the 9 January 2007 Agreement pursuant to which the Vendor sold the Previous Sale Shares and procured the sale of the Previous Sale Debt and SCL purchased such Previous Sale Shares and such Previous Sale Debt, and SCI had guaranteed the due performance of the Vendor's obligations thereunder, in each case upon and subject to the terms and conditions set out therein. Details of the Previous Transaction were set out in the joint announcement dated 10 January 2007 and the respective circulars of SCL, SCH and SCI dated 12 February 2007. The completion of the sale and purchase of the Previous Sale Shares and the Previous Sale Debt took place on 12 March 2007. Accordingly, the Vendor transferred the Previous Sale Shares and procured the assignment of the Previous Sale Debt to SCL and SCL issued the Convertible Note I to Skychance, a company nominated by the Vendor to hold the Convertible Notes.

On 30 April 2007, SCL, the Vendor and SCI entered into the Agreement pursuant to which the Vendor has conditionally agreed to sell the Sale Shares and procure the sale of the Sale Debt to SCL at a consideration of HK\$392 million. The Consideration is to be satisfied by SCL issuing to Skychance the Convertible Note II.

The Continuing Guarantee and the Guarantee for the principal amounts of HK\$80 million and HK\$500 million respectively were approved by both the SCH Independent Shareholders and SCI Independent Shareholders at the extraordinary general meetings of SCH and SCI both held on 8 March 2007. As at the date of this announcement, the Continuing Guarantee and the Guarantee remain existing and valid. Upon Completion, Praise Rich will become a wholly-owned subsidiary of SCL and upon the full conversion of the Convertible Notes, SCL will become a subsidiary of SCI and SCH. Therefore, Praise Rich will become an indirect subsidiary of SCH and SCI and the results of the Project will be consolidated in SCH and SCI. As such, SCH Directors and SCI Directors considered the Continuing Guarantee and the Guarantee is required to be remained unchanged.

## II. THE AGREEMENT

Date: 30 April 2007

Vendor: WTS International (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 100% by SCI which is in turn beneficially owned as to approximately 74.79% by SCH. The Vendor is principally engaged in investment holding and its subsidiaries are principally engaged in the manufacturing and trading of toys, shoes and electronic products, property development and investment.

Purchaser: SCL, being a company beneficially owned as to approximately 68.45% by Mr. Ng and his associates

Guarantor: SCI, being a company beneficially owned as to approximately 74.79% by SCH

Subject matter and principal terms of the Transaction: The Vendor has agreed conditionally to sell the Sale Shares and procure the sale of the Sale Debt to SCL at the Consideration.

SCI has unconditionally and irrevocably agreed to guarantee the due performance of the Vendor's obligations under the Agreement.

Consideration: The total consideration for the sale and purchase of the Sale Shares and the Sale Debt shall be HK\$392 million, which comprises (i) the total face value of the Sale Debt at Completion; and (ii) the purchase price for the Sale Shares, being the difference between HK\$392 million and the total face value of the Sale Debt. As at the date of this announcement, approximately HK\$45.8 million represents the Sale Debt and approximately HK\$346.2 million represents the purchase price for the Sale Shares. The Consideration will be satisfied by SCL issuing the Convertible Note II to Skychance on Completion.

In the event that Skychance does not convert the Convertible Note II in full into SCL Shares before the maturity of the Convertible Note II, upon presentation on the maturity date of the original of the Convertible Note II to SCL, the Convertible Note II shall be redeemed by SCL at its principal amount outstanding.

Assuming that the conversion rights attached to the Convertible Note II have been fully exercised, 5,226,666,666 SCL Shares will be issued at the agreed issue price of HK\$0.075 per SCL Share. The market value of the 5,226,666,666 SCL Shares (based on the closing price per SCL Share of HK\$0.32 as at the date of this announcement) is approximately HK\$1,672.5 million.

The Consideration was determined after arm's length negotiation between SCL and SCI with reference to, among other things, (i) the face value of the Sale Debt as at the date of this announcement, being HK\$45.8 million, (ii) the audited consolidated net liabilities attributable to the equity holders of Praise Rich as at 31 December 2006 of approximately HK\$3 million before re-valuation of the Property; and (iii) the valuation of the Property as a development site of RMB650 million as at 30 November 2006 provided by Jones Lang LaSalle, an independent professional property valuer, subject to various good title and development proposal approval assumptions. The capital value of the proposed development (assuming completion as at the date of valuation) of the Property would be in the region of RMB1,750 million on an estimated total gross floor area of 120,000 sq. m. The value as just mentioned represents 100% interest of the Property and the proposed development thereof respectively. Details of the valuation of the Property were set out in the respective circulars of SCL, SCH and SCI dated 12 February 2007. The state owned land use right certificate pertaining to the Property was issued on 9 February 2007.

The SCL Directors, the SCI Directors and the SCH Directors (excluding the independent non-executive directors of SCL, SCI and SCH who will give their opinion based on the recommendation from the independent financial advisers to be appointed) are of the view that the terms of the Agreement (including the Consideration) are on normal commercial terms and are fair and reasonable.

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

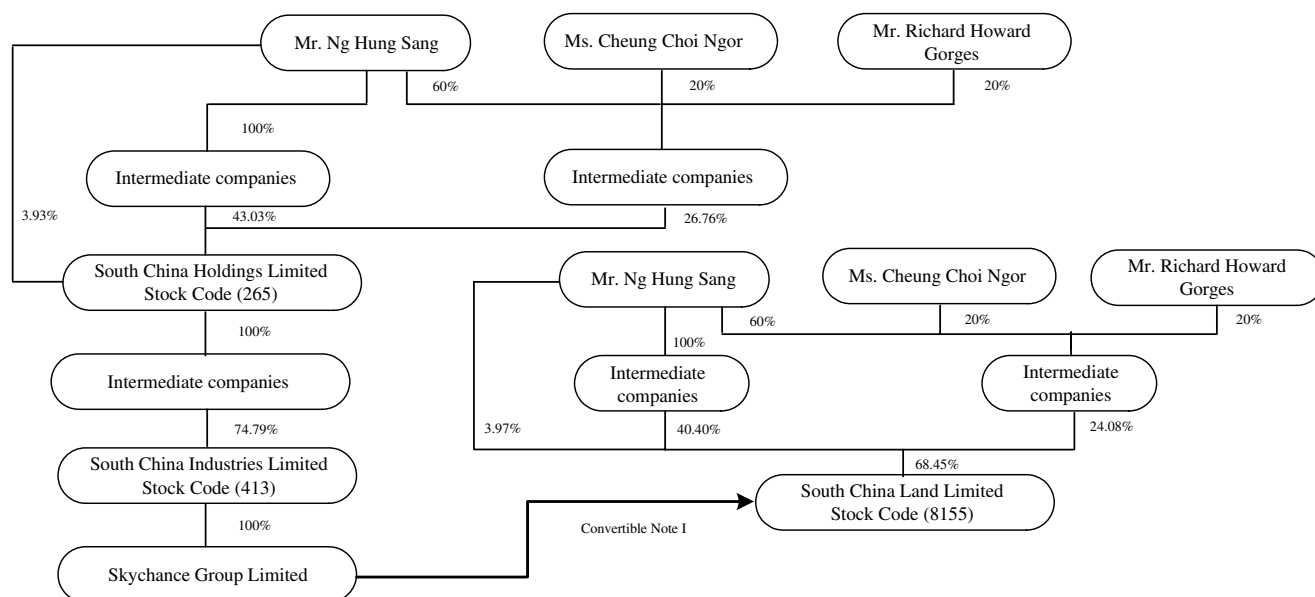
- (a) the acquisition of the Sale Shares and the Sale Debt, the transactions contemplated under the Agreement, and the issue of the Convertible Note II all having been approved by resolutions of the SCL Shareholders (or such of them as are not required to abstain from voting under the GEM Listing Rules) in the SCL EGM taken by way of poll;
- (b) the disposal of the Sale Shares and the Sale Debt, and the transactions contemplated under the Agreement all having been approved by resolutions of the SCI Shareholders (or such of them as are not required to abstain from voting under the Listing Rules) in the SCI EGM taken by way of poll;
- (c) the disposal of the Sale Shares and the Sale Debt, and the transactions contemplated under the Agreement all having been approved by resolutions of the SCH Shareholders (or such of them as are not required to abstain from voting under the Listing Rules) in the SCH EGM taken by way of poll;
- (d) the listing of, and permission to deal in, the SCL Shares to be issued upon the exercise of the conversion rights attached to the Convertible Note II having been granted by the Stock Exchange and not having been revoked prior to Completion; and
- (e) written consent of the Bank in respect of the sale of the Sale Shares having been obtained.

The conditions precedent are required to be fulfilled on or before 30 June 2007. If the conditions precedent have not been satisfied or waived (as the case may be) on or before the date aforesaid, SCL shall be entitled to treat the Agreement as terminated, provided that the rights and liabilities of the contracting 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.

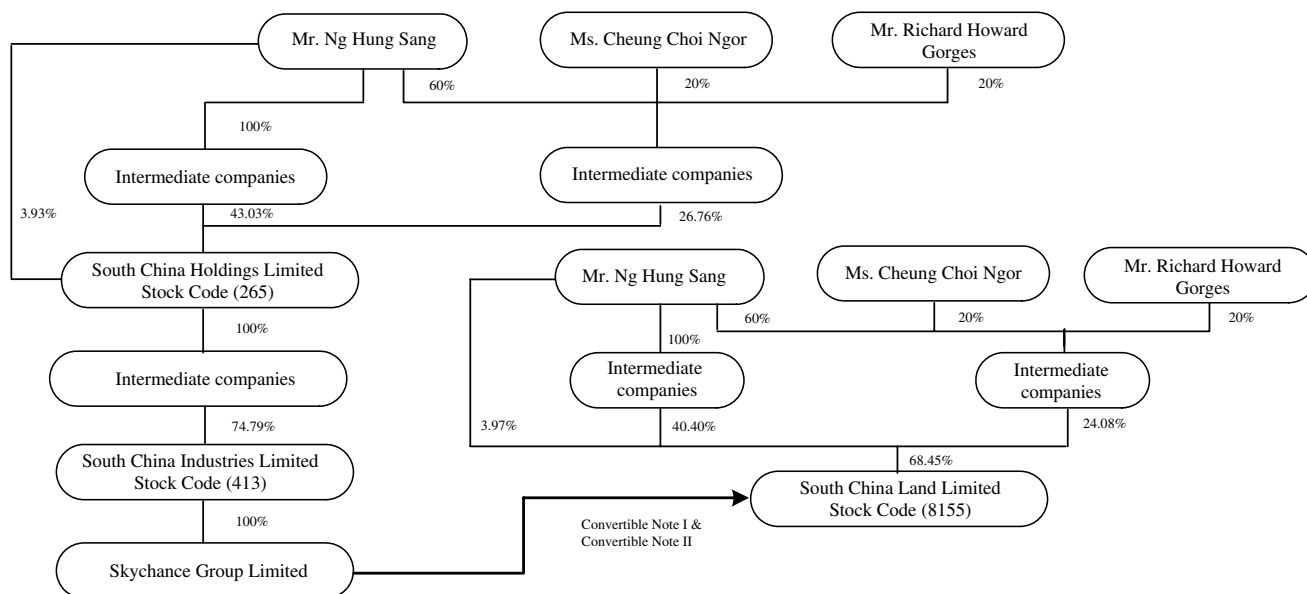
Completion: Completion shall take place on the second Business Day after the day on which the last of the conditions precedent is fulfilled or waived or such other date as SCL, the Vendor and SCI may agree, subject to the conditions precedent being fulfilled or waived in accordance with the Agreement.

The following diagrams illustrate the shareholding structure of SCL, SCI and SCH immediately before Completion, and immediately after Completion and before and after full conversion of the Convertible Notes:

***The shareholding structure of SCH, SCI and SCL immediately before Completion***

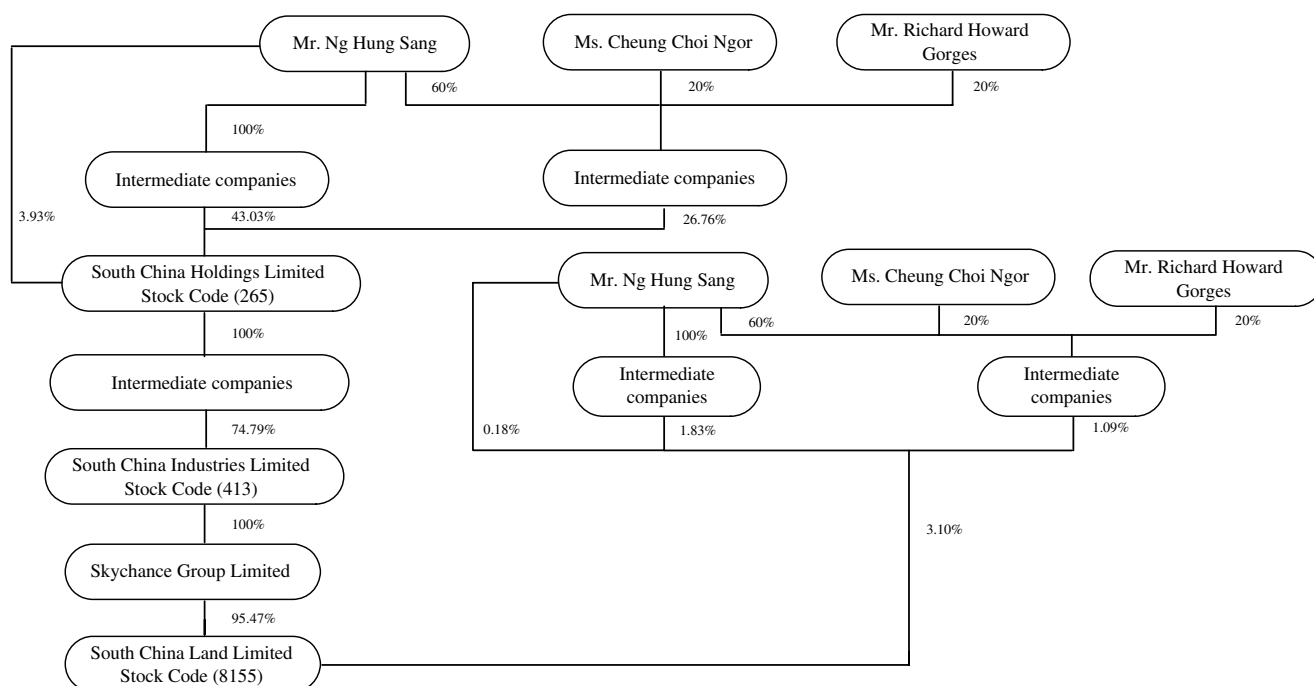


***The shareholding structure of SCH, SCI and SCL immediately after Completion and before full conversion of the Convertible Notes***





***The shareholding structure of SCH, SCI and SCL immediately after Completion and after full conversion of the Convertible Notes***



### III. PRINCIPAL TERMS OF THE CONVERTIBLE NOTE II

Principal amount: HK\$392 million

Interest: The Convertible Note II does not bear any interest

Maturity: The fifth anniversary of the date of issue of the Convertible Note II

Conversion rights: Skychance will have the right to convert, on any Business Day prior to five Business Days before the maturity date, the whole or any part(s) of the principal amount of the Convertible Note II into SCL Shares at the conversion price.

Conversion price: HK\$0.075 per SCL Share

The conversion price is subject to adjustments in the event of share consolidation or sub-division, capitalisation of profits or reserves, capital distribution, rights issue and other dilutive events.

The conversion price is determined after arm's length negotiation taking into account the 5-year tenor of the Convertible Note II, the potential dilution effect on the shareholding structure of SCL, the intrinsic value of SCL Shares and the closing price of SCL Shares on the date of the Agreement. The conversion price represents (i) a discount of approximately 76.56% to the closing price of the SCL Shares of HK\$0.32 on 30 April 2007; (ii) a discount of approximately 75.96% to the average closing price of the SCL Shares of HK\$0.312 on the Stock Exchange for the 5 trading days immediately before 30 April 2007; and (iii) a premium of approximately 36.5 times over the net asset value per SCL Share of approximately HK\$0.002, based on the audited consolidated accounts of SCL as at 31 December 2006 and the then number of the SCL Shares in issue.

Status of SCL Shares:	<p>The SCL Shares to be issued under the Convertible Note II will rank pari passu in all respects with the SCL Shares in issue as at the date of exercise of the conversion rights attached to the Convertible Note II.</p> <p>Based on the conversion price of HK\$0.075 per SCL Share, a maximum of 5,226,666,666 SCL Shares will fall to be allotted and issued upon full conversion of the Convertible Note II, representing approximately 10.32 times of the existing issued share capital of SCL or approximately 46.78% of the enlarged issued share capital of SCL upon full conversion of the Convertible Notes.</p>
Application for listing:	Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the SCL Shares which may be issued under the Convertible Note II. However, no application will be made for the listing of the Convertible Note II on the Stock Exchange or any other stock exchange.
Transferability:	The Convertible Note II or any part(s) thereof may be assigned or transferred to any third party subject to (a) the approval of the Stock Exchange; (b) the compliance of the conditions under the approval for listing in respect of the SCL Shares to be issued under the Convertible Note II; and (c) all applicable laws and regulations.
Early Redemption:	Skychance has the option to request SCL to redeem the whole or part of the outstanding principal amount of the Convertible Note II after the third anniversary of the date of its issue till the maturity date of the Convertible Note II.

The SCH Directors and SCI Directors (excluding the independent non-executive directors who will give their opinion based on the recommendation from an independent financial adviser to be appointed) consider that the terms of the Convertible Note II are fair and reasonable.

As the issue of the Convertible Note II to satisfy the consideration of the Transaction follows the same means adopted for the Previous Transaction, the issue of the Convertible Note II with substantially the same terms (including the same conversion price) as the terms governing the Convertible Note I (with adjustments to reflect a different principal amount) is acceptable to SCL. The SCL Directors (excluding the independent non-executive directors who will give their opinion based on the recommendation from an independent financial adviser to be appointed) consider that the terms of the Convertible Note II are fair and reasonable.

SCL will, subject to the conditions of the Agreement as stated in the previous section headed “The Agreement”, issue the Convertible Note II to Skychance upon Completion. The issue of the Convertible Note II and the SCL Shares to be allotted and issued upon conversion of the Convertible Note II will be subject to the approval by the SCL Independent Shareholders in the SCL EGM.

It is the intention of SCH and SCI to procure Skychance to convert the Convertible Notes to the extent that the public float of SCL will not be less than 25% immediately after such conversion.



#### **IV. INFORMATION ON THE PRAISE RICH GROUP**

##### **Overview**

SCL will acquire from the Vendor the Sale Shares and the Sale Debt, and indirectly acquire the interest in Liaoning Dafa.

As at the date of this announcement, Praise Rich, which is an investment holding company holding all of the shares of Ever Talent, is owned as to 51% by SCL and 49% by the Vendor. Ever Talent is a company incorporated in Hong Kong and in turn is the foreign investor holding an equity interest of 80% in a PRC equity joint venture, namely, Liaoning Dafa. Liaoning Dafa is a limited liability company, which was incorporated in the PRC and registered on 25 September 2000 with two PRC investors, namely Mr. Wen Heyi (溫和義) (“Mr. Wen”) and Ms. Wen Meixia (溫美霞) (“Ms. Wen”). The total capital contributions from Ever Talent, Mr. Wen and Ms. Wen in Liaoning Dafa are RMB161.6 million, RMB30.3 million and RMB10.1 million respectively as of the date of this announcement. Liaoning Dafa currently owns the Property. According to the state owned land use right certificate pertaining to the Property issued on 9 February 2007, the site area of the Property is 18,841.5 sq.m. Liaoning Dafa has applied for an additional area of afforestation of 3,052 sq.m. at a consideration of approximately RMB8.9 million. Upon approval, the total site area will be enlarged to 21,893.5 sq.m. The Property is proposed to be developed into a seven-storey shopping mall with a latest proposed aggregate gross floor area of approximately 117,200 sq.m. The construction of such shopping mall on the Property is expected to be completed in 2008.

Save as disclosed above, Mr. Wen and Ms. Wen are independent of and unrelated to the Vendor, SCH, SCI, SCL, Mr. Ng and their respective associates. To the best knowledge of the SCI Directors, SCH Directors and SCL Directors, Mr. Wen and Ms. Wen do not hold any SCI Shares, SCH Shares and SCL Shares.

##### **Financial Information**

Praise Rich was incorporated in the British Virgin Islands with limited liability on 23 May 2005. The audited consolidated loss before and after taxation and extraordinary items of Praise Rich Group for the period from 23 May 2005 (date of incorporation) to 31 December 2005 and for the year ended 31 December 2006 were approximately HK\$1.8 million and HK\$7.6 million respectively. No turnover was reported in the books of Praise Rich Group as the Project was at the stage of relocation of original occupants at the Property. Praise Rich will cease to be an associated company of SCH and SCI immediately after Completion. The audited consolidated net liabilities attributable to the equity holders of Praise Rich as at 31 December 2006 were approximately HK\$3 million. Upon Completion, Praise Rich will be a wholly-owned subsidiary of SCL.

#### **V. DIRECTORS AND MANAGEMENT OF SCL**

Additional directors may be appointed by SCL to the SCL Board upon Completion to manage the Praise Rich Group, but no existing SCL Directors will resign. SCL has no present intention to change the composition of the SCL Board upon Completion.

## VI. CHANGES TO THE SHAREHOLDING IN SCL AS A RESULT OF THE TRANSACTION AND CONVERSION OF THE CONVERTIBLE NOTES

The following table sets out the shareholding structure of SCL (based on information received by SCL and notified pursuant to Part XV of the SFO as at the date of this announcement) immediately before and after Completion and full conversion of the Convertible Note I and the Convertible Note II (assuming that there are no changes other than those contemplated in the Agreement):

	Immediately before Completion		After Completion, assuming no conversion rights attached to the Convertible Notes have been exercised by Skychance		After Completion, assuming the conversion rights attached to the Convertible Note I have been fully exercised by Skychance		After Completion, assuming the conversion rights attached to the Convertible Notes have been fully exercised by Skychance	
	<i>No. of Approximate SCL Shares      %</i>		<i>No. of Approximate SCL Shares      %</i>		<i>No. of Approximate SCL Shares      %</i>		<i>No. of Approximate SCL Shares      %</i>	
Mr. Ng and his associates (other than Skychance)	346,709,203	68.45	346,709,203	68.45	346,709,203	5.83	346,709,203	3.10
SCI through Skychance ( <i>Note</i> )	–	–	–	–	5,440,000,000	91.48	10,666,666,666	95.47
Public	159,789,141	31.55	159,789,141	31.55	159,789,141	2.69	159,789,141	1.43
<b>Total</b>	<b>506,498,344</b>	<b>100.00</b>	<b>506,498,344</b>	<b>100.00</b>	<b>5,946,498,344</b>	<b>100.00</b>	<b>11,173,165,010</b>	<b>100.00</b>

Under the terms of the Convertible Notes, Skychance shall exercise the rights of conversion to the extent that the public float of SCL will not be less than 25% immediately after such conversion.

*Note:*

Skychance is a wholly-owned subsidiary of SCI, which is in turn beneficially owned as to approximately 74.79% by SCH. As Mr. Ng and his associates are the existing controlling group of shareholders in SCL, SCH and SCI, the full conversion of the Convertible Notes will not result in a change in control (as defined in the Takeovers Code).

## VII. 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 and printing businesses, marketing and promotional services, agricultural production, sale of air tickets and the provision of other related services.

## **VIII. 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.

## **IX. INFORMATION ON SCL**

SCL is an investment holding company. Its subsidiaries are principally engaged in publication and marketing of monthly Chinese financial and economy magazines, namely “資本雜誌 Capital”, “資本才俊 Capital CEO” and “資本企業家 Capital Entrepreneur” as well as property investment and development in the PRC.

## **X. RELATIONSHIP BETWEEN MR. NG AND HIS ASSOCIATES**

SCL is owned as to 20.02% by Parkfield, 19.55% by Fung Shing, 0.83% by Ronastar, 12.37% by Eartrade and 11.71% by Bannock and 3.97% by Mr. Ng. Each of Parkfield, Fung Shing and Ronastar is wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Eartrade and Eartrade is owned as to 60% by Mr. Ng, as to 20% by Ms. Cheung and as to the remaining 20% by Mr. Gorges. Each of Parkfield, Fung Shing, Ronastar, Eartrade and Bannock is an associate of Mr. Ng within the meaning of the GEM Listing Rules and a connected person of SCL within the meaning of the GEM Listing Rules.

SCH is owned as to 20.39% by Parkfield, 21.72% by Fung Shing, 0.92% by Ronastar, 13.75% by Eartrade and 13.01% by Bannock and 3.93% by Mr. Ng. Each of Parkfield, Fung Shing and Ronastar is wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Eartrade and Eartrade is owned as to 60% by Mr. Ng, as to 20% by Ms. Cheung and as to the remaining 20% by Mr. Gorges. Each of Parkfield, Fung Shing, Ronastar, Eartrade and Bannock is an associate of Mr. Ng within the meaning of the Listing Rules and a connected person of SCH within the meaning of the Listing Rules.

SCI is owned as to 51.59% by Super Giant, 18.51% by Worldunity and 4.69% by Greenearn. Each of Super Giant, Worldunity and Greenearn is wholly-owned by SCH through its wholly-owned subsidiaries, South China (BVI) Limited and Tek Lee Finance and Investment Corporation Limited. Mr. Ng is the controlling shareholder of SCH and each of Super Giant, Worldunity and Greenearn is an associate of Mr. Ng within the meaning of the Listing Rules and a connected person of SCI within the meaning of the Listing Rules.

## **XI. REASONS FOR THE TRANSACTION**

The principal business activity of the SCL Group is publication and marketing of monthly Chinese financial and economy magazines, namely “資本雜誌 Capital”, “資本才俊 Capital CEO” and “資本企業家 Capital Entrepreneur” as well as property investment and development in the PRC. The SCL Directors consider that the acquisition of the remaining 49% equity interest in Praise Rich would enable SCL to fully consolidate the results of the Project which is expected to have substantial growth potential in the future in light of the booming economy in the PRC.

The SCL Directors believe that Completion of the Transaction would allow SCL to exercise greater management flexibility and to take a full control in the Project. It is proposed that the Consideration will be paid by the issue of the Convertible Note II and not by payment of cash because this is the best financing method available to SCL.

The SCL Directors have no present intention of disposing of SCL's existing publication business after Completion and will, following the Completion, conduct a more detailed review of its operations with a view to developing a corporate strategy to enhance its existing businesses and asset base and broaden its income stream by various measures, which may include further investment in and expansion of existing businesses or, should appropriate opportunities arise, divesting of loss-making operations.

The SCL Directors (excluding the independent non-executive directors 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 SCL and the SCL Shareholders as a whole. The SCL Directors (excluding the independent non-executive directors who will give their opinion based on the recommendation from an independent financial adviser to be appointed) consider that the issue of the Convertible Note II as Consideration is fair and reasonable and in the best interest of SCL and the SCL Shareholders as a whole as it is the best financing method for SCL given that the Convertible Note II is non-interest bearing and that SCL will not need to use substantial amount of its existing cash resources to fund the Transaction. The SCL Directors (excluding the independent non-executive directors who will give their opinion based on the recommendation from an independent financial adviser to be appointed) further consider that the conversion price is fair and reasonable taking into account of the fact that the conversion price of HK\$0.075 reflects the carrying value/intrinsic value of the existing underlying business attributed to the equity holders of SCL ("Net Assets Value") per SCL Share and low liquidity of the SCL Shares. Net Assets Value per SCL Share is estimated to be HK\$0.069 based on the unaudited pro forma net assets value of the SCL Group of HK\$76.4 million and the carrying amount of the Convertible Note I of HK\$332.4 million as divided by 5,946,498,344 SCL Shares issued and to be issued (assuming the full exercise of the conversion rights attached to the Convertible Note I) as disclosed in the section headed "Unaudited pro forma financial information on the enlarged group" in the SCL circular dated 12 February 2007.

Given the diversified portfolio in SCI, the SCH Directors and SCI Directors consider that Completion of the Transaction can segregate the property development portfolio from manufacturing business so that the different businesses can be more clearly delineated. Completion of the Transaction will put SCI's major property development project in the PRC into a listed vehicle. Such restructure will give investors a clearer picture on the SCI group's business strategy and create a platform for SCI to foster its property development business through SCL. Further, the SCH Directors and SCI Directors expect that such segregation can attract different investors with different investment criteria. SCI intends to transact future property acquisitions in the PRC through the vehicle of SCL. Completion of the Transaction will also allow the existing SCI management to focus on its core manufacturing business. Furthermore, the full conversion of the Convertible Notes will enable SCI to hold the interest in the Project indirectly and still benefit from the potential capital appreciation of the Project in the future.

The SCI Directors (excluding the independent non-executive directors 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.

The SCH Directors (excluding the independent non-executive directors who will give their opinion based on the recommendation from an independent financial adviser to be appointed) concur with the view of the SCI Directors and 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.

## **XII.GAIN/LOSS ON DISPOSAL OF THE SALE SHARES AND THE SALE DEBT BY THE VENDOR**

### **Immediately after Completion but before full conversion of the Convertible Note II by Skychance**

Assuming that the value of the Convertible Note II (which is subject to early redemption after 3 years from its issue) is not discounted to its net present value, SCH (through SCI) and SCI would have a gain on disposal of approximately HK\$1,803 million arising from the Transaction. On the basis that the value of the zero coupon Convertible Note II (which is subject to early redemption after 3 years from its issue) is discounted to its net present value based on an estimated discount rate of 4.18%, SCH (through SCI) and SCI would have a gain on disposal of approximately HK\$1,758 million arising from the Transaction.

The above gain on the disposal was estimated based on the fair value of the loan option and the convertible option under the Convertible Note II net of the audited consolidated net liabilities attributable to the equity holders of Praise Rich as at 31 December 2006 and the value of the Sale Debt as at the date of the Agreement and the value of the tax indemnity under the Agreement.

### **Immediately after Completion and full conversion of the Convertible Notes**

Immediately upon Completion and full conversion of the Convertible Notes (assuming that there will be no change in the issued share capital of SCL from the date of this announcement and up to Completion, save for the issue of the SCL Shares pursuant to the conversion of the Convertible Notes), SCL will become a 95.47% subsidiary of SCI. All gains or losses will be eliminated in full in the consolidated financial accounts of SCH and SCI as SCL will be put under the same group of SCH and SCI.

However, under the terms of the Convertible Notes, Skychance shall exercise the rights of conversion to the extent that the public float of SCL will not be less than 25% immediately after such conversion. Therefore, SCH and SCI will not hold more than 75% in SCL.

## **XIII.MAINTENANCE OF THE LISTING OF THE SCL SHARES**

It is the intention of SCL to maintain the listing of SCL on the Stock Exchange after Completion. Under the terms of the Convertible Note II, Skychance shall exercise the right of conversion to the extent that the public float of SCL will not be less than 25% immediately after such conversion.

## **XIV.GENERAL**

Praise Rich, an indirect associate of SCI and a direct subsidiary of SCL, is an investment holding company holding all the shares of Ever Talent which in turn is the foreign investor holding an equity interest of 80% in Liaoning Dafa. Immediately after Completion, Praise Rich, holding an equity interest of 80% in Liaoning Dafa, will be a wholly-owned subsidiary of SCL.



Immediately after Completion and upon full conversion of the Convertible Notes (assuming no further SCL Shares will be issued from the date of this announcement until such conversion), SCI, through Skychance, will become the controlling shareholder of SCL interested in 95.47% of SCL's enlarged issued share capital. However, under the terms of the Convertible Notes, Skychance shall exercise the rights of conversion to the extent that the public float of SCL will not be less than 25% immediately after such conversion. Therefore, SCH and SCI will not hold more than 75% in SCL.

As the percentage ratios under the relevant tests are over 100% and Mr. Ng and his associates are the existing controlling group of shareholders in SCL, SCH and SCI, the Transaction will constitute a very substantial acquisition and connected transaction for SCL under the GEM Listing Rules.

As the percentage ratio of the consideration test for the Transaction when aggregated with the Previous Transaction is over 75% and Mr. Ng and his associates are the existing controlling group of shareholders in SCL, SCH and SCI, the Transaction will constitute a very substantial disposal and connected transaction for both SCI and SCH under the Listing Rules. As the percentage ratio under the consideration test is over 100%, the full conversion of the Convertible Notes will constitute a very substantial acquisition and connected transactions for each of SCH and SCI.

The Transaction and all other transactions contemplated under the Agreement are conditional upon, among other things, the approval of the SCL Independent Shareholders, the SCH Independent Shareholders and the SCI Independent Shareholders. Voting on the above matters will be conducted by way of poll by the SCL Independent Shareholders, the SCH Independent Shareholders and the SCI Independent Shareholders. Mr. Ng and his associates are required to abstain from voting in respect of the resolutions to approve the Transaction at the SCL EGM, SCI EGM and SCH EGM.

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

The SCL Independent Board Committee comprising of Mr. Law Cho Wa, Richard, Dr. Lo Wing Yan, William and Mr. Cheng Yuk Wo, will make recommendations to the SCL Independent Shareholders in relation to the Transaction. SCL will appoint an independent financial adviser to advise the SCL Independent Board Committee and the SCL Independent Shareholders in relation to the Transaction.

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

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 Transaction. SCI will appoint an independent financial adviser to advise the SCI Independent Board Committee and the SCI Independent Shareholders in relation to the Transaction.



A circular of SCL, containing, among other things, further particulars of the Transaction and the Sale Shares, the Sale Debt, the Convertible Note II, the recommendations of the SCL Independent Board Committee, a letter of advice from an independent financial adviser to be appointed to the SCL Independent Board Committee and the SCL Independent Shareholders, an accountants' report, property valuation reports relating to the Project and notice convening the SCL EGM will be sent to the SCL Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

A circular of SCH, containing, among other things, further particulars of the Transaction and the Sale Shares, the Sale Debt, the Convertible Note II, the recommendations of the SCH Independent Board Committee, a letter of advice from an independent financial adviser to be appointed to the SCH Independent Board Committee and the SCH Independent Shareholders, an accountants' report, property valuation reports relating to the Project and 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 Transaction and the Sale Shares, the Sale Debt, the Convertible Note II, the recommendations of the SCI Independent Board Committee, a letter of advice from an independent financial adviser to be appointed to the SCI Independent Board Committee and the SCI Independent Shareholders, an accountants' report, property valuation report relating to the Project and notice convening the SCI EGM 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 Transaction may or may not proceed. The SCL Shareholders, SCH Shareholders, SCI Shareholders and potential investors should exercise caution when dealing in the SCL Shares, SCH Shares and SCI Shares respectively.**

## DEFINITIONS

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

“9 January 2007 Agreement”	the amended and restated share purchase agreement dated 9 January 2007 entered into among SCL, the Vendor and SCI in relation to the Previous Transaction;
“Agreement”	the share purchase agreement dated 30 April 2007 entered into among SCL, the Vendor and SCI in relation to the Transaction;
“associate(s)”	has the meaning ascribed to it in the Listing Rules and the GEM Listing Rules;
“Bank”	China Construction Bank Corporation;
“Bannock”	Bannock Investment Limited, a company incorporated in the Republic of Liberia and a wholly-owned subsidiary of Earnttrade, which is in turn owned as to 60% by Mr. Ng, 20% by Ms. Cheung and the remaining 20% by Mr. Gorges, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;

“Business Day”	a day (other than a Saturday) on which banks are open for business in Hong Kong;
“Completion”	completion of the Transaction pursuant to the Agreement;
“connected person”	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
“Consideration”	HK\$392 million, being consideration for the Sale Shares and the Sale Debt;
“Continuing Guarantee”	a guarantee provided and to be continued by SCI in favour of the Bank to secure the liabilities of Ever Talent in respect of a loan facility of HK\$80,000,000 under the Loan Agreement;
“Convertible Note I”	a non-interest bearing convertible note issued on 12 March 2007 to Skychance in the principal amount of HK\$408 million due 2012 carrying a right to subscribe for the SCL Shares at HK\$0.075 per SCL Share on any Business Day prior to five Business Days prior to the date of final maturity;
“Convertible Note II”	a non-interest bearing convertible note in the principal amount of HK\$392 million due 2012 carrying a right to subscribe for the SCL Shares at HK\$0.075 per SCL Share on any Business Day prior to five Business Days prior to the date of final maturity;
“Convertible Notes”	the Convertible Note I and Convertible Note II;
“Earntrade”	Earntrade Investments Limited, a company incorporated in Hong Kong with limited liability which is owned as to 60% by Mr. Ng, as to 20% by Ms. Cheung and as to the remaining 20% by Mr. Gorges, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;
“Ever Talent”	Ever Talent Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of Praise Rich and the 80% foreign investor in Liaoning Dafa;
“Fung Shing”	Fung Shing Group Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Ng, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;

“Greenearn”	Greenearn Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SCH, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;
“Guarantee”	a guarantee to be provided by SCI in favour of an Independent Third Party pursuant to a letter agreement dated 9 January 2007 between SCI and SCL to secure the Proposed Facility;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with SCL, SCH and SCI, their subsidiaries and their respective connected persons as defined under the Listing Rules and GEM Listing Rules;
“Liaoning Dafa”	遼寧大發房地產有限責任公司 (Liaoning Dafa Real Estate Co., Ltd.), a company incorporated with limited liability under the laws of the PRC and being indirectly owned as to 80% by the Vendor;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan Agreement”	an agreement dated 14 June 2006 entered into between Ever Talent and the Bank, whereby the Bank agreed to grant a loan facility of HK\$80,000,000 to Ever Talent for a period of three years from the date of the Loan Agreement;
“Mr. Gorges”	Mr. Richard Howard Gorges, a director of SCH and SCI;
“Mr. Ng”	Mr. Ng Hung Sang, a director of SCH, SCI and SCL;
“Ms. Cheung”	Ms. Cheung Choi Ngor, a director of SCH and SCI;
“Parkfield”	Parkfield Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and being wholly-owned by Mr. Ng, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;
“Praise Rich”	Praise Rich Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 51% by SCL and as to 49% by the Vendor;
“Praise Rich Group”	Praise Rich and its subsidiaries;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
“Previous Sale Debt”	HK\$47,671,184.49 representing 51% of the total outstanding interest-free loans due from Ever Talent to Able Management Limited as at 12 March 2007;

“Previous Sale Shares”	51 shares of US\$1.00 each in the capital of Praise Rich, representing 51% of the entire issued share capital of Praise Rich;
“Previous Transaction”	the acquisition of the Previous Sale Shares and Previous Sale Debt by SCL from the Vendor pursuant to the 9 January 2007 Agreement;
“Project”	the development of the Property as described in the section headed “Information on the Praise Rich Group”;
“Property”	a site at Zhaoyang Street in the Shenhe District of Shenyang, the PRC (中國瀋陽市沈河區朝陽街);
“Proposed Facility”	the proposed loan facility of up to an aggregate principal amount of HK\$500 million proposed to be borrowed by any member of the Praise Rich Group from Independent Third Parties for not more than three years on commercially reasonable terms at market interest rate to finance the development cost of the Project;
“Ronastar”	Ronastar Investments Limited, a company incorporated in the British Virgin Islands and being wholly owned by Mr. Ng, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;
“Sale Debt”	a sum at Completion representing the total outstanding interest-free debts due from Ever Talent to Able Management Limited which is a wholly-owned subsidiary of SCI;
“Sale Shares”	49 shares of US\$1.00 each in the share capital of Praise Rich, representing 49% of the entire issued share capital of Praise Rich;
“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 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 Transaction, the Convertible Note II and the subsequent conversion and/or redemption of the Convertible Notes pursuant to the terms thereof;
“SCH Independent Board Committee”	an independent committee of the SCH Board established to advise the SCH Independent Shareholders on the Transaction;
“SCH Independent Shareholders”	holders of SCH Shares other than SCL, Parkfield, Fung Shing, Ronastar, Earntrade, Bannock and their respective ultimate beneficial owners and their respective associates;

“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 Directors”	the directors (including the independent non-executive directors) of SCI;
“SCI EGM”	the extraordinary general meeting of SCI to be held to approve, among other things, the Transaction, the Convertible Note II and the subsequent conversion and/or redemption of the Convertible Notes pursuant to the terms thereof;
“SCI Independent Board Committee”	an independent committee of the SCI Board established to advise the SCI Independent Shareholders on the Transaction;
“SCI Independent Shareholders”	holders of SCI Shares other than SCL, Super Giant, Worldunity, Greenern and their respective ultimate beneficial owners and their respective associates;
“SCI Shareholders”	holders of SCI Shares;
“SCI Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of SCI;
“SCL”	South China Land Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM;
“SCL Board”	the board of SCL Directors;
“SCL Directors”	the directors (including the independent non-executive directors) of SCL;
“SCL EGM”	the extraordinary general meeting of SCL to be held to approve, among other things, the Transaction and the issue of the Convertible Note II and the issue of SCL Shares upon exercise of the conversion rights attached to the Convertible Note II;
“SCL Group”	SCL and its subsidiaries;
“SCL Independent Board Committee”	an independent committee of the SCL Board established to advise the SCL Independent Shareholders on the Transaction;

“SCL Independent Shareholders”	holders of SCL Shares other than the Vendor and its ultimate beneficial owners and their respective associates;
“SCL Shareholders”	holders of SCL Shares;
“SCL Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of SCL;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Skychance”	Skychance Group Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by SCI and has been nominated by the Vendor to hold the Convertible Note I and the Convertible Note II;
“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, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases;
“Transaction”	the proposed acquisition of the Sale Shares and the Sale Debt by SCL from the Vendor;
“Vendor”	WTS International (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and being beneficially owned as to 100% by SCI which is beneficially owned as to approximately 74.79% by SCH;
“Worldunity”	Worldunity Investments Limited, a company incorporated in Hong Kong with limited liability and being a wholly-owned subsidiary of SCH, further details of which are described in the section headed “Relationship between Mr. Ng and his associates”;



“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“sq. m.”	square meters; 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*

On behalf of the Board of  
**South China Land Limited**  
**Ng Yuk Yeung, Paul**  
*Director*

Hong Kong, 30 April 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.*

*As at the date of this announcement, the SCL Board comprises four executive directors, being Mr. Ng Hung Sang, Mr. Ng Yuk Yeung, Paul, Mr. Hui Ping and Mr. Ng Yuk Fung, Peter; one non-executive director, being Ms. Ng Yuk Mui, Jessica; and three independent non-executive directors, being Mr. Law Cho Wa, Richard, Dr. Lo Wing Yan, William, JP and Mr. Cheng Yuk Wo.*

*This announcement, for which the SCL Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to SCL. The SCL Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement, other than those relating to SCI and SCH, have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of 7 days from the date of its publication and on the website of SCL at [www.capital-hk.com](http://www.capital-hk.com).*

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