
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South China Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

DISCLOSEABLE TRANSACTION

relating to

the Delisting Proposal of Wah Shing

5 December 2005

DEFINITIONS

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

“Board”	the board of Directors
“Company”	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. As at the Latest Practicable Date, Mr. Ng Hung Sang, Robert, the chairman of the Company, SCI and Wah Shing, is directly and indirectly interested in about 73.72% of the issued shares of the Company
“Date of Exit Offer”	the date on which the Exit Offer closes
“Directors”	the directors of the Company
“Delisting Proposal”	a proposed privatization of Wah Shing by way of the voluntary delisting from the Official List of the SGX-ST pursuant to Rule 1306 of the Listing Manual
“Exit Offer”	an exit offer to the Minority Shareholders at the Exit Offer Price for each Share held by them
“Exit Offer Price”	S\$0.18 (equivalent to approximately HK\$0.82) in cash for each Share
“Group”	the Company, SCI, their subsidiaries and associates
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Latest Practicable Date”	1 December 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Manual”	the SGX-ST Listing Manual
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholders”	Shareholders who are independent of the Company and its connected persons (as defined under the Listing Rules)

DEFINITIONS

“S\$”	Singapore dollar(s), the lawful currency of Singapore
“SCI”	South China Industries Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange. As at the Latest Practicable Date, the Company holds about 74.79% of the issued share capital of SCI
“SCI (BVI)”	South China Industries (BVI) Limited, an exempted company incorporated in the British Virgin Islands with limited liability, which is beneficially wholly-owned by SCI
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGX-ST”	The Singapore Exchange Securities Trading Limited
“SGM”	a special general meeting to be convened and held by Wah Shing to consider the Delisting Proposal
“Shares”	the ordinary share(s) of HK\$0.20 each in the share capital of Wah Shing
“Shareholders”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wah Shing”	Wah Shing International Holdings Limited, an exempted company incorporated in Bermuda with limited liability and listed on the SGX-ST, and beneficially owned as to about 67.27% by SCI

An exchange rate of S\$1 to HK\$4.57 is used in this circular.

LETTER FROM THE BOARD



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)

Directors:

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

Non-executive Directors

* *Independent Non-executive Directors*

Registered office:

Scotia Centre
4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

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

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

5 December 2005

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION relating to the Delisting Proposal of Wah Shing

INTRODUCTION

The Company and SCI jointly announced on 15 November 2005 that SCI, through its wholly-owned subsidiary, SCI (BVI), requested on the same day, the directors of Wah Shing to put forward the Delisting Proposal to the Minority Shareholders in connection with a proposed privatization of Wah Shing by way of the voluntary delisting from the Official List of the SGX-ST pursuant to Rule 1306 of the Listing Manual.

The purpose of this circular is to provide you with further information, among others, of the Delisting Proposal, which constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

TERMS OF THE DELISTING PROPOSAL

The Delisting Proposal will involve, among others, the following:

1. a conditional offer by SCI (BVI) to purchase from the Minority Shareholders, at an exit offer price of S\$0.18 (equivalent to approximately HK\$0.82) in cash, each Share held by them; and
2. to apply for a voluntary delisting of Wah Shing from the SGX-ST under Rule 1306 of the SGX-ST Listing Manual.

In the event that the Exit Offer has been accepted by the holders of 90% or more of the issued and paid-up share capital of Wah Shing (other than Shares already held at the Date of Exit Offer by SCI (BVI) or its nominee(s) or its subsidiaries), SCI (BVI) will be entitled to exercise the right of compulsory acquisition at the Exit Offer Price per Share under Section 102(1) of the Companies Act 1981 of Bermuda (as amended), provided that the number of Shareholders who accept the Exit Offer must constitute at least 75% of the number of all Shareholders (other than the holders of those Shares already held at the Date of Exit Offer by SCI (BVI) or its nominee(s) or its subsidiaries). SCI (BVI) intends to exercise this right of compulsory acquisition if the conditions for compulsory acquisition as referred to above are satisfied. In such event and upon completion of the compulsory acquisition, Wah Shing would become a wholly-owned subsidiary of SCI (BVI).

As at the Latest Practicable Date, other than Shares already held by SCI (BVI) or its nominee(s) or its subsidiaries as disclosed herein, the Company or any other members of the Group or any party acting in concert are not interested in any Shares.

EXIT OFFER PRICE

The Exit Offer Price represents:

Share price

- a premium of about 2.9% to the closing price per Share of S\$0.175 (equivalent to approximately HK\$0.8) as quoted on SGX-ST on 30 November 2005, being the last trading day prior to the Latest Practicable Date.
- a premium of about 5.3% to S\$0.171 (equivalent to approximately HK\$0.78), being the average closing price per Share as quoted on SGX-ST for the ten trading days up to and including 30 November 2005.

LETTER FROM THE BOARD

Net tangible assets

- a discount of about 45.5% to the consolidated audited net tangible asset per Share as of 31 December 2004 of about S\$0.33 (equivalent to approximately HK\$1.52).

The Exit Offer Price of S\$0.18 in cash for each Share is based on the trading prices and volume of the Shares on the SGX-ST for the last three months.

As at the Latest Practicable Date, the Minority Shareholders are interested in 89,088,312 Shares, representing about 32.73% of the issued share capital of Wah Shing. The amount of cash required for these Shares is about S\$16.0 million (equivalent to approximately HK\$73.3 million) which will be satisfied preceding the date of the delisting of the Shares. Such amount will be financed by internal resources and bank borrowings of SCI.

CIMB-GK Securities Pte. Ltd., the financial adviser which was appointed by Wah Shing to advise Wah Shing on the Delisting Proposal, has confirmed that sufficient financial resources are available to SCI (BVI) to satisfy in full all acceptances of the Exit Offer by the Minority Shareholders.

FINANCIAL EFFECT OF THE DELISTING PROPOSAL

On the assumption that the Exit Offer be funded solely by bank borrowings and be accepted by all Minority Shareholders, an additional interest to the loan of HK\$73.3 million will be incurred and also, there will be an increase in profit attributable to the equity holders of the Company due to the elimination of minority interest. Should the Delisting Proposal be completed on 1 January 2005, a discount on acquisition of an additional interest in a subsidiary of approximately HK\$72.2 million be recognized in the income statement.

There will be no change in assets of the Group and the total bank borrowings of the Group will be increased by approximately HK\$73.3 million.

CONDITIONS OF THE DELISTING PROPOSAL

The Delisting Proposal will be conditional upon, among others, the following:–

1. the convening of a SGM by Wah Shing to obtain the Shareholders' approval;
2. the resolution to delist Wah Shing being approved by a majority of at least 75% in nominal value of the Shares held by the Shareholders present and voting, on a poll, either in person or by proxy at the SGM;

LETTER FROM THE BOARD

3. the resolution to delist Wah Shing not having been voted against by 10% or more in nominal value of the Shares held by Shareholders present and voting, on a poll, either in person or by proxy at the SGM; and
4. the requisite approvals from the relevant governing authorities with regard to the Delisting Proposal.

REASONS FOR THE DELISTING PROPOSAL

The Board considers that the implementation of the Delisting Proposal will rationalize the Group's structure which in turn allow a greater flexibility towards the management of the Group, and save the cost on maintenance of a listed vehicle which is required to comply with the increasing compliance and regulatory requirements. In addition, the Delisting Proposal will also enable the Group to increase its stake in Wah Shing at a discount to its net tangible asset value.

Accordingly, the Board is of the view that the terms of the Delisting Proposal are fair and reasonable and the Delisting Proposal is in the interests of the Company and its shareholders as a whole.

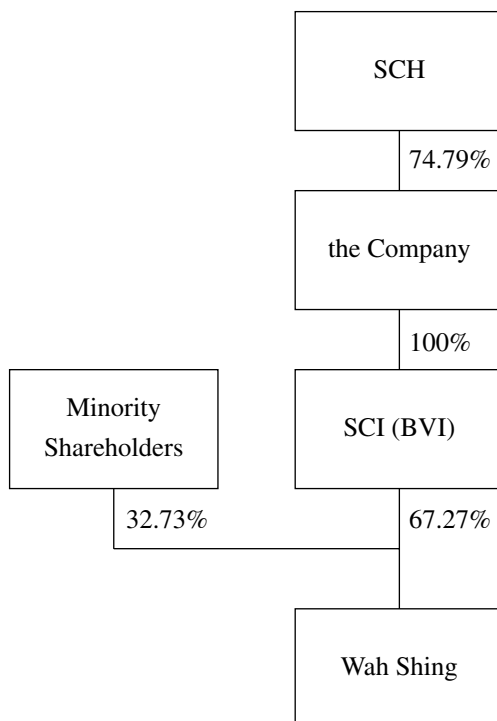
The Board confirmed that the Company has no immediate intention to list the Shares in any other stock exchanges.

INFORMATION ON WAH SHING

Wah Shing was incorporated in Bermuda and its shares have been listed on the Main Board of the SGX-ST since 1996. Wah Shing is an investment holding company and its subsidiaries are principally engaged in the manufacturing and distribution of toys, toy-related products and moulds under Original Equipment Manufacturing and Original Design Manufacturing arrangements. Other principal activities include property development and investment, equity securities investment and the manufacturing and trading of footwear. As at the Latest Practicable Date, the issued and paid-up share capital of Wah Shing consists of 272,160,000 ordinary shares of HK\$0.20 each. SCI (BVI) currently holds 183,071,688 Shares, representing about 67.27% of the issued share capital of Wah Shing.

LETTER FROM THE BOARD

Set out below the simplified shareholding structure of Wah Shing as at the Latest Practicable Date:



As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by Wah Shing.

The audited net tangible asset values of Wah Shing (prepared in accordance with International Accounting Standards) as at 31 December 2004 and 31 December 2003 were approximately HK\$412.8 million and HK\$379.8 million respectively. The audited profits of Wah Shing before and after taxation and extraordinary items (prepared in accordance with International Accounting Standards) for the year ended 31 December 2004 were approximately HK\$46.1 million and HK\$43.3 million respectively. The audited profits of Wah Shing before and after taxation and extraordinary items (prepared in accordance with International Accounting Standards) for the year ended 31 December 2003 were approximately HK\$50.6 million and HK\$42.3 million respectively.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in 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.

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, Christina
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 discloseable transaction and 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**Interests in shares**

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

(b) Associated corporations

(1) Interests 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	74.74%
	Interests of controlled corporations	3,626,452,500 (Note c)		
Mr. Gorges	Beneficial owner	12,174,000	12,174,000	0.25%

(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	114,118,540 (Note g)	42.52%

(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	183,071,688 (Note i)	67.27%

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

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

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

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

(2) *Interests in underlying shares of SCB*

Name of director	Capacity	Number of underlying shares
Mr. Ng	Interests of controlled corporations	670,400,000 (Note m)

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 Earntrade Investments Limited (“Earntrade”). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade 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 an interest in 487,949,760 shares in the Company, which are being held by both Bannock and Earntrade.
- (b) The Company owns 74.59% in the issued share capital of SCB and 670,400,000 warrants issued by 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 SCI 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 42.52% shareholding in Nority and Nority is considered as SCI’s associated corporation.
- (g) The 114,118,540 shares in Nority 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 Nority under the SFO.
- (h) Wah Shing, a Singapore listed company, is a 67.27% owned subsidiary of SCI.
- (i) The 183,071,688 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) These are interests held under warrants of SCB which entitle the holders to subscribe for ordinary shares of SCB at an initial subscription price of HK\$0.1012 per ordinary share (subject to adjustment) exercisable on or before 2 March 2006. The 670,400,000 underlying shares of SCB are held by a wholly-owned subsidiary 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 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 underlying shares of SCB under the SFO.
- (n) All interests disclosed above represent long positions.

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

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

As at the Latest Practicable Date, so far as was known to the Directors, those persons, other than the 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 ordinary shares	Approximate percentage of shareholding	<i>Notes</i>
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 the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in 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 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.