



South China Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 265)



South China Industries Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 413)

OVERSEAS REGULATORY ANNOUNCEMENT

(This overseas regulatory announcement was issued pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)

The following announcement was released by Wah Shing International Holdings Limited, a 62.34% owned subsidiary of South China Industries Limited and listed on the SGX-ST, on 25 July 2005. South China Holdings Limited held approximately 74.79% shareholdings in South China Industries Limited as at 25 July 2005.

THE ACQUISITION OF 75% EQUITY INTEREST IN LIAONING DAFU REAL ESTATE CO., LTD.

1. INTRODUCTION

The board of directors (the “**Directors**”) of Wah Shing International Holdings Limited (the “**Company**”) wish to announce that the Company’s wholly-owned subsidiary in Hong Kong, Ever Talent Limited (“**Ever Talent**”), has, on 10 July 2005, entered into a conditional sale and purchase agreement (the “**Agreement**”) with Madam Wen Meixia (the “**Vendor**”), an existing shareholder of Liaoning Dafa Real Estate Co., Ltd. (“**Liaoning Dafa**”), to acquire a 75 per cent. equity interest in Liaoning Dafa held by the Vendor (the “**Acquisition**”, and such 75 per cent equity interest in Liaoning Dafa, being the “**Sale Shares**”).

Completion of the Acquisition (the “**Completion**”) will proceed on or before 10 September 2005 or at such later date as Ever Talent and Liaoning Dafa (the “**Parties**”) may agree in writing subject to satisfaction of the conditions precedent set out in the Agreement.

2. INFORMATION ON LIAONING Dafa

- 2.1 Liaoning Dafa is a limited liability company which was incorporated in the People's Republic of China (the “**PRC**”) and registered on 25 September 2000. Liaoning Dafa has a registered capital of RMB 10 million. At present, the Vendor and Mr. Wen Heyi hold 80 per cent. and 20 per cent. of the equity interest in Liaoning Dafa respectively.
- 2.2 Liaoning Dafa is licensed to, *inter alia*, engage in real estate development and sale of self-developed real estate, sale of construction materials and aluminium-made doors and windows, and consultancy on real estate information (excluding agency services). Liaoning Dafa has obtained the land use rights for a term over 40 years to use a piece of land located at Zhaoyang Street, Shenhe District, Shenyang, the PRC with a total area of 23,234 square metres (the “**Land**”) (of which 7,621.90 square metres is designated for commercial use and 15,612.10 square metres for afforestation), together with the right to develop the Land by constructing a proposed shopping plaza with restaurants and outlets for shopping, entertainment and leisure. A commercial and shopping complex with a total gross floor area of not less than 80,000 square metres will be built. The complex will include two extensive floors in the basement which will allow the full utilisation of the entire site area of 23,234 square metres for each floor.
- 2.3 **Further Information.** For the financial year ended 31 December 2004, Liaoning Dafa recorded an audited turnover of approximately RMB 0 (approximately S\$0) and audited net loss after taxation of approximately RMB 2,062,000 (approximately S\$422,000). As at 31 December 2004, the audited net tangible assets (“**NTA**”) of Liaoning Dafa was approximately RMB 7.2 million (approximately S\$1.5 million). According to the audited financial statements of Liaoning Dafa for the financial year ended 31 December 2004, the aggregate amount due to the Vendor and Mr. Wen Heyi was approximately RMB 32 million (the “**Advance**”). Additional capital expenditure of not more than RMB 14 million (approximately S\$2.9 million) which were paid for and on behalf of Liaoning Dafa by the Vendor and Mr. Wen Heyi in addition to the Advance prior to the Acquisition will be further recorded to the management accounts of Liaoning Dafa subject to the availability of valid invoices and the results of Ever Talent's financial and legal due diligence prior to Completion. Further information on Liaoning Dafa including details of its business operations and financial performance, will be set out in a circular (“**Circular**”) to the shareholders of the Company (“**Shareholders**”) which will be despatched in due course.

3. PRINCIPAL TERMS OF THE ACQUISITION

3.1 **Acquisition of the Sale Shares.** The Acquisition will involve, *inter alia*, the Company acquiring the Sale Shares free from all liens, charges and encumbrances and with all rights and benefits attaching thereto with effect from Completion. Upon Completion, Liaoning Dafa will, through Ever Talent, become a subsidiary of the Company in the PRC.

3.2 **Conditions Precedent.** The Acquisition is subject to and conditional upon, *inter alia*:

- (a) the approval of the Shareholders in a special general meeting of the Company (the “SGM”) to be convened;
- (b) the completion of, to the satisfaction of the Company, a financial review and legal due diligence investigation, on or before the date of Completion (“Completion Date”), on Liaoning Dafa;
- (c) there being no material adverse change in the prospects, operations or financial condition of Liaoning Dafa occurring on or before the Completion Date; and
- (d) all other necessary waivers, consents and approvals (if required) from the relevant government or regulatory authorities in Hong Kong, PRC, Singapore and Bermuda required for the Agreement and the Acquisition being obtained.

If the conditions precedent set out in the Agreement are not satisfied (unless waived by the Parties by agreement) on or before 10 September 2005 or at such later date as the Parties may agree in writing, the Agreement shall terminate, be null and void and of no further effect and neither of the Parties shall have any liability to the other party save in respect of prior breaches of the terms of the Agreement which have resulted in the conditions precedent not being fulfilled.

3.3 **Consideration.** The Company will acquire the Sale Shares from the Vendor for a purchase consideration (the “Consideration”) of RMB 67.5 million (approximately S\$13.8 million).

The Consideration consists of:

- (a) RMB 7.5 million as consideration for the Acquisition; and
- (b) RMB 60 million being capital injection into Liaoning Dafa. Pursuant to the Agreement, the Company will, in proportion to its equity interest in Liaoning Dafa (i.e. 75 per cent.), invest RMB 60 million in Liaoning Dafa as capital injection. Together with an investment of RMB 20 million (to be set off from the Advance) from the Vendor and Mr. Wen Heyi (who together represent 25 per cent. of the equity interest in Liaoning Dafa), the registered capital of Liaoning Dafa will increase from RMB 10 million to RMB 90 million, contributing to an increase of RMB 80 million in the registered capital of Liaoning Dafa.

The Consideration was arrived at on a “willing buyer willing seller” basis after taking into account, *inter alia*, the operating track record and the financial position of, as well as the strategic fit of Liaoning Dafa in line with the business profile of the Company and its subsidiaries (the “**Group**”). The Company proposes to use its internal resources to finance the Consideration.

- 3.4 The Consideration amounting to RMB 67.5 million (approximately S\$13.8 million) represents a premium of approximately 3.2 per cent. of the attributable pro forma value of approximately RMB 65.4 million (approximately S\$13.4 million), being 75 per cent. equity interest of Liaoning Dafa’s pro forma unaudited NTA of RMB 87.2 million (the aggregate of the unaudited NTA of Liaoning Dafa of RMB 7.2 million as at 31 December 2004 and the proposed capital injection of RMB 80 million).

4. RATIONALE FOR THE ACQUISITION

The Directors consider that the property market in the PRC, in particular, the Northeastern district of the PRC, is an area with great development potential in the long run. The government of the PRC is committed to developing the Northeastern district. The Land is located at Shenyang in the Liaoning Province, a prime location in the Northeastern district of the PRC which the district government of the PRC is actively developing. Further, the Land is located close to a key tourist area for tourists visits (the ancient

palace) and also right at one of the most popular shopping districts in Shenyang which is geographically suited for the proposed construction of a shopping plaza. Given the above, the Directors consider that the Land has good investment potential.

The Directors are of the view that the acquisition of the equity interest in Liaoning Dafa, which in turn owns a property development project on the Land, will enable the Group to take advantage of the potential growth in the property market in the Northeastern district of the PRC, and further strengthen the profitability of the Group. The Directors intend to diversify the Group's businesses by seeking favourable property investment projects capable of generating potential incomes.

5. FINANCIAL EFFECTS

- 5.1 **Assumptions.** The pro forma financial effects of the Acquisition are for illustration purposes only and do not reflect the future financial position of the Group after the completion of the Acquisition. The pro forma financial effects of the Acquisition have been computed based on the audited financial statements of the Group and the audited financial statements of Liaoning Dafa for the financial year ended 31 December 2004.
- 5.2 **Share Capital.** The Acquisition will not have any impact on the issued and paid up share capital of the Company as the Consideration will be fully satisfied in cash.
- 5.3 **NTA.** For illustration purposes only, the pro forma financial effects of the Acquisition on the NTA of the Group as at 31 December 2004 are as follows:

	Before the Acquisition As At 31 December 2004	After the Acquisition As At 31 December 2004 ⁽¹⁾
NTA (HK\$'000)	412,837	410,800
Number of Shares ('000)	272,160	272,160
NTA per Share (HK\$)	1.52	1.51

Notes:

(1) Assuming that the Acquisition was completed on 31 December 2004

The Acquisition will give rise to a goodwill of approximately HK\$2.0 million (RMB 2.1 million and approximately S\$0.4 million) as at 31 December 2004. In accordance with the Group's accounting policy, the goodwill will be subject to an annual impairment test.

5.4 Earnings / Loss per Share. For illustration purposes only, the effects of the Acquisition on the earnings / loss per share of the Group for the financial year ended 31 December 2004 is as follows:

	Before the Acquisition For the year ended 31 December 2004	After the Acquisition For the year ended 31 December 2004 ⁽¹⁾
Profit / (Loss) attributed to shareholders (HK\$'000)	36,084	34,101
Earnings / (Loss) per Share (HK\$)	0.13	0.13

Notes:

(1) Assuming that the Acquisition was completed on 1 January 2004

5.5 **Gearing.** The effects of the Acquisition on the gearing of the Group are as follows:

	Before the Acquisition As At 31 December 2004	After the Acquisition⁽¹⁾ As At 31 December 2004
Total (borrowings) (HK\$'000) ⁽²⁾	(86,116)	(86,116)
Net cash /(borrowings) (HK\$'000) ⁽³⁾	1,510	(5,696)
Shareholders' funds (HK\$'000) ⁽⁴⁾	444,546	444,546
Gross gearing (times) ⁽⁵⁾	19.4%	19.4%
Net gearing (times) ⁽⁵⁾	NM	1.3%

Notes:—

- (1) Assuming that the Acquisition was completed on 31 December 2004.
- (2) “Total borrowings” refers to the amounts of liabilities (excluding contingent liabilities) arising from borrowings from financial institutions.
- (3) “Net borrowings” refers to “total borrowings” net of cash and bank deposits.
- (4) “Shareholders’ funds” refers to the amounts represented by the aggregate of issued and paid-up capital, reserves and retained profit/accumulated deficit.
- (5) “Gross gearing” is computed based on the ratio of “total borrowings” to “shareholders’ funds”. “Net gearing” is computed based on the ratio of “net borrowings” to “shareholders’ funds”.

6. SHAREHOLDERS' APPROVAL

Chapter 10 Transaction. The relative figures for the Acquisition using the applicable bases of comparison under Rule 1010(13) of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual (the “**Listing Manual**”) are set out below:

Net profits (loss) attributable to the assets acquired, compared with the Company’s net profits ⁽¹⁾ :	(5.5%)
---	--------

Aggregate value of the Consideration, compared with the Company’s market capitalisation ⁽²⁾ :	42.2%
---	-------

Notes:

- (1) Based on the financial statements of the Company for the financial year ended 31 December 2004.
- (2) The Company’s market capitalisation is based upon 272,160,000 Shares on the SGX-ST on 8 July 2005, being the market day preceding the date of the Agreement, at a volume weighted average price of S\$0.12 per Share.

As the figures computed on one of the bases set out above exceeds 20 per cent., the Acquisition constitutes a “major transaction” as defined in Chapter 10 of the Listing Manual, the approval of Shareholders is therefore required at the SGM.

7. FURTHER INFORMATION

7.1 SGM and Circular. A Circular in relation to the Acquisition, together with a notice of the SGM to be convened will be despatched to Shareholders in due course. In the meantime, Shareholders are advised to refrain from taking any action in relation to their shares in the Company which may be prejudicial to their interests until they or their advisers have considered the information and the recommendations to be set out in the Circular.

7.2 Directors Service Contracts. No person is proposed to be appointed as a director of the Company in connection with the Acquisition. Accordingly no service contract is proposed to be entered into between the Company and any such person.

- 7.3 **Interest of Directors and Substantial Shareholders.** No director or substantial shareholders have any interest, direct or indirect, in the Acquisition.
- 7.4 **Documents for Inspection.** A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company's share transfer agent, Lim Associates (Pte) Ltd, at 10 Collyer Quay, #19-08, Ocean Building, Singapore 049315, for a period of three months commencing from the date of this announcement.

By Order of the Board
WAH SHING INTERNATIONAL HOLDINGS LIMITED
Cheung Choi Ngor
Director

Submitted by Cheung Choi Ngor, Director on 25/7/2005 to the SGX

Note:

Exchange rates of S\$1.00: HK\$4.705, HK\$1: RMB 1.04 and S\$1: RMB 4.89 are used in this announcement.

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