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SOUTH CHINA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

DISTRIBUTION IN SPECIE OF SHARES IN

JESSICA PUBLICATIONS LIMITED

BY SOUTH CHINA HOLDINGS LIMITED

On 24th August, 2001, the Board passed a resolution to distribute Jessica Publications Shares to the Shareholders by way of a special dividend in specie. The Distribution will be made to the Shareholders whose names appear on the register of members of the Company on the Record Date in the proportion of one Jessica Publications Shares for every four Shares then held.

THE DISTRIBUTION

The Board has declared a special dividend on 24th August, 2001 to distribute Jessica Publications Shares to the Shareholders, including those Shareholders whose addresses as shown in the Hong Kong branch register of members of the Company at the close of business on the Record Date are outside of Hong Kong, by way of a special dividend of HK\$ 0.000279 per Share to be paid not in cash but in specie on the basis of one Jessica Publications Share for every four Shares held on the Record Date (assuming no further issue of Shares prior to the Record Date). The entire issued Jessica Publications Shares will be distributed under the Distribution. No distribution of Jessica Publications Shares will be made to the Shareholders in respect of fractional entitlements.

REASONS FOR THE DISTRIBUTION

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The Directors believe that the Distribution will give rise to the following principal benefits:

Benefits to both the Group (excluding the Jessica Publications Group) and the Jessica Publications Group

1. By enabling the management team of the Group (excluding the Jessica Publications Group) and the Jessica Publications Group to become more focused on their respective business areas, the Directors believe that the Distribution will enhance decision-making processes, improve response times to market changes, increase operational efficiency and expedite business development for both groups.
2. Given the different operating characteristics of the businesses of the Group (excluding the Jessica Publications Group) and the Jessica Publications Group, the Distribution will enhance the transparency of the performance of their respective business operations.
3. The Group (excluding the Jessica Publications Group) and the Jessica Publications Group will be able to implement financing and business development plans such as mergers and acquisitions and joint ventures according to their specific needs.

Benefits to the Shareholders

The Distribution will enable the Shareholders to hold a direct investment in the Jessica Publications Group, thereby allowing them to participate in the future development of the Jessica Publications Group.

FUTURE TRANSACTIONS BETWEEN THE GROUP (EXCLUDING THE JESSICA PUBLICATIONS GROUP) AND THE JESSICA PUBLICATIONS GROUP FOLLOWING THE DISTRIBUTION

It is expected that certain on-going transactions between the Group (excluding the Jessica Publications Group) and the Jessica Publications Group will continue after completion of the Distribution. The Group (excluding the Jessica Publications Group) will provide to or share with the Jessica Publications Group the following services:

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- Provision of color separation, typesetting, photofinishing and other related processing services
- Sharing of marketing services
- Sharing of phototaking services
- Sharing of certain support services, including administrative, accounting, information technology, company secretarial and legal services and human resources
- Sharing of personnel expenses

In addition, the Group (excluding the Jessica Publications Group) may place advertisements in the magazines published by the Jessica Publications Group.

Following the Distribution, agreements related to such transactions will be entered into in the ordinary and usual course of business of the companies concerned and will continue to be conducted on terms which are fair and reasonable to companies concerned. Such transactions will constitute connected transactions after completion of the Distribution. The Company shall, where appropriate, comply with or seek a waiver from the Stock Exchange for the relevant disclosure and approval requirements under the Listing Rules in respect of such transactions. Further announcement will be made as and where appropriate.

PRINCIPAL ACTIVITIES OF THE GROUP

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, information and technology related businesses, real estate investment and development, implementation and marketing of software applications, publishing and printing businesses, marketing and promotional services, sale of air tickets and provision of other related travel services.

INFORMATION ON THE JESSICA PUBLICATIONS GROUP

The Jessica Publications Group is engaged in the business of publications of monthly Chinese women magazines, titled “Jessica” and “Lisa” and Jessica Publications is wholly owned by the Company. Upon completion of the Distribution, Jessica Publications Shares will be fully

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distributed to the Shareholders. Shares of Jessica Publications are not listed in any stock exchange.

It is intended that following the implementation of the Distribution, the Group (excluding the Jessica Publications Group) and the Jessica Publications Group will operate independently. Mr. Ng Hung Sang, Robert, the chairman of the Company, is the chairman of Jessica Publications. In addition to Mr. Ng Hung Sang, Robert, the board of directors of the Jessica Publications comprises of three executive directors namely Ms. Ng Yuk Mui, Jessica, Mr. Lau Ho Kit, Ivan and Ms. Foo Kit Tak.

Set out below is a summary of the combined unaudited results of the companies comprising the Jessica Publications Group for the financial year ended 31st December, 2000.

	For the year ended	For the year ended
	31st December, 1999	31st December, 2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	8,181	15,711
Loss for the year	76	3,031

As at 31st December, 2000, the pro forma combined negative net asset value of the companies comprising the Jessica Publications Group amounted to approximately HK\$ 3,107,000. As at 30th June, 2001, the pro forma combined unaudited net asset value of the companies comprising the Jessica Publications Group amounted to approximately HK\$ 509,000.

DEALINGS IN SHARES

The Shares will continue to be listed on the Stock Exchange following the implementation of the Distribution.

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CLOSURE OF REGISTER OF MEMBERS AND REGISTRATION PROCEDURES

The register of members and warrant holders of the Company will be closed on 10th September, 2001 for the purpose of determining the entitlements of the Shareholders to Jessica Publications Shares under the Distribution. No transfer of Shares may be registered during the book closure date.

In order to qualify for the Distribution, all transfers accompanied by the relevant Share certificates must be lodged with the Hong Kong branch registrar of the Company, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong by not later than 4:00 p.m. on 7th September, 2001. Warrant holders who wish to participate in the Distribution should exercise the subscription rights attaching to the Warrants by lodging duly completed subscription forms, warrant certificates with the appropriate remittances by not later than 4:00 p.m. on 7th September, 2001.

SHARE CERTIFICATE OF JESSICA PUBLICATIONS SHARES

Definitive certificates for Jessica Publications Shares are expected to be despatched by mail to the Shareholders, at their own risk no later than 30th September, 2001.

TENTATIVE TIMETABLE

	2001
Last day of dealings in Shares cum entitlement to the Jessica Publications Shares pursuant to the Distribution	5th September
Commencement of dealings in Shares on an ex-entitlement basis	6th September
Latest time for lodging transfer of the Shares in order to qualify for the Distribution	4:00 p.m. on 7th September

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Latest time for Warranholders of the Group who wish to participate in the Distribution to exercise the subscription rights attaching to the Warrants of the Group

4:00 p.m. on 7th September

Register of members closes

10th September

Record Date

10th September

Note: The above timetable is an indication only. Further announcement will be made on

major changes to the above timetable.

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In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of directors of the Company
“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
“Director(s)”	the director(s) of the Company
“Distribution”	the distribution of one Jessica Publications Share to the Shareholders for every four Shares held on the Record Date
“Group”	the Company and its subsidiaries
“Jessica Publications”	an exempted company incorporated in the Cayman Islands under the name Jessica Publications Limited with limited liability which is a wholly owned subsidiary of the Company
“Jessica Publications Group”	Jessica Publications together with Jessica Limited and Superb Taste Company Limited (companies incorporated in Hong Kong with limited liability) which engage in the publication of “Jessica” magazine and “Lisa” magazine
“Jessica Publications Shares”	ordinary shares of HK\$ 0.001 each in the share capital of Jessica Publications
“Listing Rules”	the Rules governing the listing of securities on the Stock Exchange
“Record Date”	10th September, 2001 or such other date as the Company may decide, being the date by reference to which entitlements of the Shareholders to the Jessica Publications Shares under the Distribution are to be determined

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“Share(s)”	share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrants”	warrants issued by the Company in units of HK\$0.55 each of subscription rights entitling the holders to subscribe in cash for Shares at the adjusted subscription price of HK\$0.55 per Share, subject to adjustment, at any time between 20th November, 2000 and 22nd November, 2001 (or such earlier date as may apply under the instrument constituting such warrants)
“Warrantholders”	the holders of the Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

By Order of the Board

South China Holdings Limited

Yuen Kam Tim, Francis

Company Secretary

Hong Kong, 24th August, 2001