



South China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)



South China Industries Limited
(Incorporated in the Cayman Islands with limited liability)

Connected Transaction

The respective board of directors of South China Holdings and South China Industries announce that on 30 July 2003, a S&P Agreement was entered into by South China Agriculture and South China Strategic, indirect wholly owned subsidiaries of South China Holdings and South China Industries respectively. Pursuant to the S&P Agreement, South China Strategic agreed to acquire from South China Agriculture the Spring Joy Share for HK\$10 million. Consideration was paid by the SCI Group from its internal resources on 30 July 2003.

Spring Joy holds a wholly owned subsidiary, Huaxing, in the PRC, having a registered and paid-up capital of approximately US\$6.0 million as of 31 December 2002, which engages in the cultivation and sale of high quality agricultural produce, mainly litchi and longan fruits in the PRC. The major asset of Huaxing is the Orchards, which own certain arable farmlands of approximately 16,592 mu situated in Zhengcheng and Boluo, Guangdong, the PRC.

The terms of the S&P Agreement were arrived at after arm's length negotiations between South China Holdings and South China Industries and the consideration was determined with reference to the net asset value of the Spring Joy Group.

S&P Agreement

S&P Agreement date: 30 July 2003

Parties: South China Strategic (as purchaser)
South China Agriculture (as vendor)

Interest to be acquired: Spring Joy Share beneficially owned by South China Agriculture, representing its entire issued share capital

Pursuant to the S&P Agreement, South China Strategic agreed to acquire and South China Agriculture agreed to sell Spring Joy Share for a total consideration of HK\$10 million together with all rights attaching or accruing to the Spring Joy Share and all dividends and distributions declared, made or paid on the Spring Joy Share or in respect of it on and after the date of the S&P Agreement. The consideration for the Spring Joy Share was paid in full by cash on 30 July 2003.

Consideration

The consideration for the Spring Joy Share was arrived at after arm's length negotiations between South China Holdings and South China Industries and was determined with reference to net asset value of the Spring Joy Group. As at 30 June 2003, the unaudited consolidated net asset value of Spring Joy Group was approximately HK\$17.9 million. The consideration represents a discount of approximately 44% to the unaudited consolidated net asset value of Spring Joy Group.

The directors of South China Holdings and South China Industries are of the view that the terms of the S&P Agreement (including the consideration payable) are fair and reasonable. The consideration was satisfied by the internal resources of the SCI Group.

The S&P Agreement was unconditional and was completed on 30 July 2003.

Information of Spring Joy Group

Spring Joy is an investment holding company incorporated in the British Virgin Islands and its sole business is to hold 100% indirect interests in Huaxing.

Huaxing principally engages in the cultivation and sale of high quality agricultural produce, mainly litchi and longan fruits, in the PRC and had a registered and paid-up capital of approximately US\$6.0 million up to 31 December 2002. The major asset of Huaxing is the Orchards plantation of approximately 500,000 trees with total arable farmland area of approximately 16,592 mu in Zhengcheng and Boluo, Guangdong. Plantation of trees in these Orchards has commenced since 1993. About 54% of the trees planted in the Orchards should be fruit bearing in 2004. Huaxing recorded a turnover of approximately HK\$122,000 and HK\$195,000 for the years ended 31 December 2001 and 31 December 2002 respectively. Its agricultural produces are mainly sold to distributors and wholesale customers at agricultural produce wholesale markets in the PRC.

The consolidated unaudited net loss of Spring Joy Group before and after taxation for the year ended 31 December 2001 was approximately HK\$5.8 million and HK\$5.8 million respectively. The consolidated unaudited net loss of Spring Joy Group before and after taxation for the year ended 31 December 2002 was approximately HK\$7.5 million and HK\$7.5 million respectively.

Reasons for the S&P Agreement

The agricultural industry in the PRC experienced an impressive cumulative annual growth rate of 12.5% from 1992 to 2001. Among agricultural produce in the PRC, fruit output has experienced a strong growth, which is influenced by improvements in living standards and more healthy lifestyles. The directors of South China Industries believe that it will be in the interests of SCI Group to participate in the market potential of the agriculture industry in both the PRC and overseas markets.

The directors of South China Holdings believe that it is in the interest of South China Holdings to rationalize its investment in the PRC and to have a clear demarcation of business by grouping its investments in agricultural business under the SCI Group and at the same time to enhance its cash position. The proceeds received by South China Holdings will be utilised to finance the working capital of South China Holdings and its subsidiaries.

General

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

South China Industries is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, compressors, shoes, metal tooling, leather products, motors, machinery, capacitors, clothing, property development, fish rearing, information and technology related businesses and provision of travel related businesses. South China Holdings beneficially holds 74.74% of the issued share capital of South China Industries.

As at the Latest Practicable Date, South China Holdings, which beneficially owned 74.74% shareholdings of South China Industries, was a substantial shareholder of South China Industries. The transaction contemplated under the S&P Agreement constitutes a connected transaction of South China Holdings and South China Industries according to Rule 14.25 of the Listing Rules. As the consideration for the S&P Agreement is less than the higher of HK\$10 million or 3% of the consolidated net tangible assets of South China Holdings and South China Industries, no respective approval of SCH Independent Shareholders and SCI Independent Shareholders is required. Details of the transaction will be included in the annual report to be issued by South China Holdings and South China Industries for the year ended 31 December 2003.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Farms”	Shanmei Farm, Fuhe Farm and Xiaolou Farm (all situated in Zhengcheng, Guangdong and established in 1993, 1994 and 1997 respectively) and Lofushan Farm (situated in Boluo, Guangdong and established in 1997)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Huaxing”	Guangdong Huaxing Fruit Development Company Limited, a limited company incorporated in the PRC and an indirect wholly owned subsidiary of Spring Joy

“Latest Practicable Date”	29 July 2003, being the latest practicable date prior to the issue of this announcement for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Orchards”	The 4 Farms with an arable farmland area of approximately 16,592 mu located in Zhengcheng and Boluo, Guangdong, the PRC and a total of approximately 500,000 litchi and longan trees
“PRC”	The People’s Republic of China
“S&P Agreement”	The agreement dated 30 July 2003 entered into between South China Agriculture and South China Strategic in relation to the sale and purchase of the Spring Joy Share
“SCH Independent Shareholders”	The holders of ordinary share(s) of HK\$0.025 each in the share capital of South China Holdings other than Mr. Ng Hung Sang, Robert, Earntrade Investments Limited, Bannock Investment Limited, Parkfield Holdings Limited, Fung Shing Group Limited and Ronastar Investments Limited, being the substantial shareholders of South China Holdings
“SCI Group”	South China Industries and its subsidiaries
“SCI Independent Shareholders”	The holders of ordinary share(s) of HK\$0.10 each in the share capital of South China Industries other than South China Holdings and its associates
“South China Agriculture”	South China Agriculture Limited, a limited company incorporated in Hong Kong and an indirect wholly owned subsidiary of South China Holdings
“South China Holdings”	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
“South China Industries”	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. It was beneficially owned as to 74.74% by South China Holdings as at the Latest Practicable Date

“South China Strategic”	South China Strategic Limited, a limited company incorporated in Hong Kong and an indirect wholly owned subsidiary of South China Industries
“Spring Joy”	Spring Joy Industrial Limited, a limited company incorporated in the British Virgin Islands and a direct wholly owned subsidiary of South China Agriculture
“Spring Joy Group”	Spring Joy and its wholly owned subsidiaries
“Spring Joy Share”	1 ordinary share of US\$1.0 in the issued share capital of Spring Joy representing its entire issued share capital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar(s), the lawful currency of the United States of America
“%”	per cent.

By order of the Board
South China Holdings Limited
Yeung Yee Har
Company Secretary

By order of the Board
South China Industries Limited
Yeung Yee Har
Company Secretary

Hong Kong, 30 July 2003

A copy of this announcement can be obtained
from our website www.sctrade.com



南 華 集 團 成 員
A Member of South China Group

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