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**South China Holdings Limited**

*(Incorporated in the Cayman Islands with limited liability)*



**South China Industries Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## **JOINT ANNOUNCEMENT OF DISCLOSEABLE TRANSACTION**

The directors of South China Holdings and South China Industries jointly announce that on 26 March 2003, South China Industries, through its wholly-owned subsidiary, South China Industries (BVI), requested the directors of Wah Shing to put forward a proposal to the Scheme Shareholders regarding a proposed privatisation of Wah Shing by South China Industries (BVI) by way of a scheme of arrangement under Section 99 of the Companies Act.

South China Industries (BVI) proposes that all Scheme Shares to be cancelled. In consideration of the cancellation of the Scheme Shares, the Scheme Shareholders will receive an amount of S\$0.065 (equivalent to approximately HK\$0.29) in cash for each Scheme Share.

If the Proposal is successful, the listing of the Shares on the SGX-ST will be withdrawn, and Wah Shing will become a wholly-owned subsidiary of South China Industries (BVI).

As at the Latest Practicable Date, the Scheme Shareholders were interested in 128,536,312 Shares, representing about 47.23% of the issued share capital of Wah Shing. The amount of cash required for the Proposal is approximately S\$8.35 million (equivalent to approximately HK\$37.58 million). As at the Latest Practicable Date, there were no outstanding options, warrants or convertible securities issued by Wah Shing. South China Industries intends to finance the cash required for the Proposal from bank borrowing readily and immediately available to South China Industries on normal commercial terms.

As at the Latest Practicable Date, South China Holdings, through its interest in South China Industries, was indirectly interested in 143,623,688 Shares, representing 52.77% of the issued share capital of Wah Shing. South China Holdings beneficially holds 74.74% of the issued share capital of South China Industries.

If the Scheme becomes effective, it will constitute a discloseable transaction of South China Holdings and South China Industries under the Listing Rules. South China Holdings and South China Industries will send a circular containing further details of the Proposal to their shareholders for their information within 21 days from the date of this announcement.

**Shareholders of South China Holdings and South China Industries and potential investors in the companies should be aware that the implementation of the Proposal is subject to the conditions set out below being fulfilled and thus may or may not become effective. They are advised to exercise caution when dealing in securities of South China Holdings and South China Industries.**

## **INTRODUCTION**

The directors of South China Holdings and South China Industries jointly announce that on 26 March 2003, South China Industries, through its wholly-owned subsidiary, South China Industries (BVI), requested the directors of Wah Shing to put forward a proposal to the Scheme Shareholders regarding a proposed privatisation of Wah Shing by South China Industries (BVI) by way of a scheme of arrangement under Section 99 of the Companies Act.

## **TERMS OF THE PROPOSAL**

The Scheme will be proposed to all Scheme Shareholders in accordance with Section 99 of the Companies Act and the Code and will involve, *inter alia*, the following:

- (i) a capital reduction exercise of Wah Shing to be effected by the cancellation of all Scheme Shares; and
- (ii) in consideration of the cancellation of their Shares, the Scheme Shareholders will receive from South China Industries (BVI) an amount of S\$0.065 (equivalent to approximately HK\$0.29) in cash for each Scheme Share.

The Scheme will become mandatory on the date the Scheme becomes effective and binding, the Scheme Shares will be cancelled and all rights attaching thereto, including rights to dividend or other distribution will cease.

The Scheme Price represents:

- (i) a premium of approximately 44.44% above the last transacted price per Share on the SGX-ST of S\$0.045 (equivalent to approximately HK\$0.203) as at 26 March 2003, being the last trading day of the Shares on the SGX-ST prior to the release of this announcement;
- (ii) a premium of approximately 46.07% above the average of the last transacted prices per Share of S\$0.0445 (equivalent to approximately HK\$0.200) over the last 10 days on which the Shares were traded on the SGX-ST prior to the release of this announcement; and
- (iii) a discount of approximately 76.79% to the unaudited consolidated net tangible asset value per Share as of 31 December 2002 of approximately HK\$1.28 (equivalent to approximately S\$0.28).

The Scheme Price is determined based on the market prices and the trading volume of the Shares on the SGX-ST for the last three months.

On the basis of the consideration of the Scheme Price, the amount of cash required for the Proposal is approximately S\$8.35 million (equivalent to approximately HK\$37.58 million). South China Industries intends to finance the cash required for the Proposal from bank borrowing readily and immediately available to South China Industries on normal commercial terms. The financial adviser appointed by Wah Shing in Singapore is satisfied that sufficient financial resources are available to South China Industries for the implementation of the Proposal.

## INFORMATION RELATING TO WAH SHING

Wah Shing is incorporated in Bermuda and its shares have been listed on the Main Board of the SGX-ST since 1996. 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. South China Industries (BVI) currently holds 143,623,688 Shares (both directly and through nominees), representing approximately 52.77% of the issued share capital of Wah Shing. Other than disclosed above, no person who are connected to any director, chief executive or substantial shareholders of South China Holdings and South China Industries or any of their subsidiary or an associate of any of them has any interest in Wah Shing. 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.

The table below sets out the shareholding structure of Wah Shing as at the Latest Practicable Date and immediately upon completion of the Proposal:

	<b>As at the Latest Practicable Date</b>		<b>Upon completion of the Proposal</b>	
	<b>Number of Shares</b>	<b>%</b>	<b>Number of Shares</b>	<b>%</b>
South China Industries (BVI) directly and through its nominees	143,623,688	52.77	272,160,000	100.00
Scheme Shareholders	<u>128,536,312</u>	<u>47.23</u>	<u>0</u>	<u>0</u>
	<u><u>272,160,000</u></u>	<u><u>100.00</u></u>	<u><u>272,160,000</u></u>	<u><u>100.00</u></u>

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

A summary of the audited consolidated results for the year ended 31 December 2001 and the unaudited consolidated results for the year ended 31 December 2002 (based on General Accepted Accounting Principles of Hong Kong) of Wah Shing are set out below:

	<b>For the year ended 31 December</b>	
	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	1,237,885	1,146,422
Profits (loss) from operations	10,118	(114,056)
Profit (loss) before taxation	9,528	(121,589)
Profit (loss) after tax but before minority interests	8,675	(154,607)
Profit (loss) attributable to Shareholders	3,149	(156,980)

As at 31 December 2002, the unaudited consolidated net tangible assets of Wah Shing was approximately HK\$347.9 million, or approximately HK\$1.28 per Share (equivalent to approximately S\$0.28 per Share) (based on 272,160,000 Shares in issue as at the Latest Practicable Date).

## **REASONS FOR THE PROPOSAL**

The directors of South China Holdings and South China Industries consider that the implementation of the Proposal is in the best interests of their shareholders as it will streamline the group structure through the elimination of a listed vehicle to achieve cost efficiency and save much management time and costs involved with increased regulatory and corporate governance requirements.

The Proposal will also enable South China Group to acquire total ownership of Wah Shing Group at a discount to its net tangible asset value and allow a greater flexibility towards the management of Wah Shing Group. At present, there is no intention to change the board members of Wah Shing after the Scheme become effective.

## **REGULATORY APPROVALS**

- (a) The Securities Industry Council of Singapore has confirmed, *inter alia*, that rules 14, 15, 16, 17, 20.1, 21, 22, 28, 29 and 33.2 and note 1(b) to rule 19 of the Code do not apply to the Scheme, subject to the following conditions:
  - (i) South China Industries (BVI) and its concert parties abstain from voting at the Court Meeting and the Special General Meeting;
  - (ii) The Scheme Document discloses the current voting rights of South China Industries (BVI) and its concert parties in Wah Shing and their voting rights in Wah Shing after the Scheme;
  - (iii) the directors of Wah Shing who are also directors of South China Industries (BVI) or who are acting in concert with or nominees of South China Industries (BVI) abstain from making a recommendation on the Scheme to the Scheme Shareholders; and

- (iv) Wah Shing appoints an independent financial adviser to advise the Shareholders on the Scheme.
- (b) The Scheme will be subject to the approval of all relevant regulatory authorities, including the Supreme Court of Bermuda (the “Court”) as stated in condition (c) below.

## **CONDITIONS OF THE SCHEME**

As the Proposal is to be implemented by way of a scheme of arrangement under Section 99 of the Companies Act, involving, *inter alia*, a capital reduction of Wah Shing, the Scheme is subject to the following conditions and will become effective and binding if:

- (a) the Scheme is approved by a majority in number of the Scheme Shareholders holding at least three-fourths in value of the Scheme Shares that are voted either in person or by proxy at the Court Meeting;
- (b) the passing of a special resolution to approve and give effect to the Scheme (including reduction of the issued share capital of Wah Shing by the cancellation of the Scheme Shares) at the Special General Meeting;
- (c) the sanction of the Scheme (with or without modifications) by the Court, and the delivery to the Registrar of Companies in Bermuda of an office copy of the order of the Court for registration; and
- (d) the necessary compliance with the procedural requirements of Section 46 of the Companies Act in relation to the reduction of the issued share capital of Wah Shing.

By proposing that the Proposal be implemented through the Scheme, Scheme Shareholders are provided the opportunity to decide at the Court Meeting whether they consider the Scheme to be in their best interests.

If the Scheme becomes effective and binding, Wah Shing will become a wholly-owned subsidiary of South China Industries (BVI) and South China Industries (BVI) will then proceed to delist Wah Shing from the SGX-ST. Since the Scheme Document will be cleared by the SGX-ST and despatched to the Shareholders before the Court Meeting and the SGM can be convened, it is difficult to predict the expected date the Scheme will become effective at the moment. Further announcement on the effective date will be made if and when all conditions of the Scheme have been satisfied.

If any of the above conditions is not satisfied, the Scheme will not be binding on the Scheme Shareholders and South China Industries (BVI).

**Shareholders of South China Holdings and South China Industries and potential investors in the companies should be aware that the implementation of the Proposal is subject to the conditions set out above being fulfilled and thus may or may not become effective. They are advised to exercise caution when dealing in securities of South China Holdings and South China Industries.**

## 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, 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, information and technology related and provision of travel related businesses. South China Holdings beneficially holds 74.74% of the issued share capital of South China Industries. South China Industries is the immediate holding company of South China Industries (BVI).

If the Scheme becomes effective, it will constitute a discloseable transaction of South China Holdings and South China Industries under the Listing Rules. South China Holdings and South China Industries will send a circular containing further details of the Proposal to their shareholders for their information within 21 days from the date of this announcement.

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

“Code”	the Singapore Code on Takeovers and Mergers (as revised with effect from 1 January 2002)
“Companies Act”	the Companies Act 1981 of Bermuda (as amended and modified from time to time)
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Supreme Court of Bermuda at which the Scheme will be voted upon
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Latest Practicable Date”	25 March 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
“Proposal”	the proposal for the privatisation of Wah Shing by South China Industries (BVI) by way of the Scheme
“S\$”	Singapore dollar(s), the lawful currency of Singapore

“SGX-ST”	The Singapore Exchange Securities Trading Limited
“Scheme”	a scheme of arrangement under Section 99 of the Companies Act involving the cancellation of all the Scheme Shares
“Scheme Document”	document of Wah Shing to be despatched to Shareholders in due course containing full details of the Scheme
“Scheme Price”	S\$0.065 in cash for each Scheme Share
“Scheme Share(s)”	share(s) held by the Scheme Shareholders
“Scheme Shareholder(s)”	shareholder(s) of Wah Shing who are independent and not connected to a director, chief executive or substantial shareholder of South China Holdings and South China Industries or any of their subsidiaries or an associate of any of them
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	share(s) of HK\$0.20 each in the capital of Wah Shing
“South China Group”	South China Holdings, South China Industries and their subsidiaries
“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 and which was beneficially owned as to about 74.74% by South China Holdings as at the Latest Practicable Date
“South China Industries (BVI)”	South China Industries (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, which was beneficially wholly-owned by South China Industries
“Special General Meeting”	a meeting of Shareholders to be convened to consider and approve the passing of a special resolution for the Scheme
“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, the shares of which are listed on the SGX-ST and which was beneficially owned as to about 52.77% by South China Industries (BVI) (both directly and through nominees) and is a non-wholly owned subsidiary of South China Industries
“Wah Shing Group”	Wah Shing and its subsidiaries
“%”	per cent.

An exchange rate of S\$1 to HK\$4.5 is used in this announcement.

By order of the Board  
**South China Holdings Limited**  
**Yuen Kam Tim, Francis**  
*Company Secretary*

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

Hong Kong, 26 March 2003

A copy of this announcement can be obtained  
from our website [www.sctrade.com](http://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.