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## **SOUTH CHINA HOLDINGS COMPANY LIMITED**

**南華集團控股有限公司**

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

**(Stock Code: 00413)**

### **CONTINUING CONNECTED TRANSACTION RENEWAL OF TENANCY AGREEMENT**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 29 December 2017 in relation to, among other things, the renewal of tenancy agreements in which Copthorne as landlord entered into the 2018 Tenancy Agreement (A) and the 2018 Tenancy Agreement (B) with SCM Management as tenant.

The Board announces that on 3 December 2019, Copthorne entered into the 2019 Tenancy Agreement with SCM Management, for renewal of the 2018 Tenancy Agreement (A) which will expire on 31 December 2019. The Board also announces, after reviewing its business needs, the Group will not renew the lease of the premises located at Unit B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong upon the expiration of the 2018 Tenancy Agreement (B) on 31 December 2019.

#### **RENEWAL OF TENANCY AGREEMENT**

The principal terms of the 2019 Tenancy Agreement are summarized as follows:

##### **2019 Tenancy Agreement**

Parties:	Copthorne (as landlord) SCM Management (as tenant)
Term:	Three (3) years from 1 January 2020 to 31 December 2022
Premises:	Units A and B, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong
Monthly rental:	HK\$96,811.20 (exclusive of management fee, government rates and utility charges)
Rent free period:	One month commencing from 1 January 2020 to 31 January 2020 (both days inclusive)

## **REASONS FOR AND BENEFITS OF THE RENEWAL OF THE TENANCY AGREEMENT**

The rental for the premises set out in the 2019 Tenancy Agreement was arrived at after arm's length negotiations between the relevant parties by reference to the prevailing market rent of properties of similar size and area in the vicinity.

The subject premises are investment properties of the Group held for rental income. The renewal of the tenancy agreements will provide the Group with continuous and stable rental income.

The Directors (including the independent non-executive Directors) consider that the transaction contemplated under the 2019 Tenancy Agreement is entered into in the ordinary and usual course of business of the Group and on normal commercial terms after arm's length negotiations, and is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## **RELATIONSHIPS BETWEEN THE PARTIES**

Copthorne is an indirect wholly-owned subsidiary of the Company.

Mr. Ng, the chairman of the Board, an executive Director and the controlling shareholder of the Company, and hence a connected person thereof, is the ultimate beneficial owner of SCM Management. By virtue of being an associate of Mr. Ng, SCM Management is a connected person of the Company according to the Listing Rules.

## **ANNUAL CAP**

The annual cap for the 2019 Tenancy Agreement is determined by reference to the agreed annual rental received or receivables thereunder. The aggregated annual cap, being the largest aggregated annual rental to be received during the terms from the 2019 Tenancy Agreement and the 2019 Four Seas Tenancy Agreements shall be HK\$5 million.

## **INFORMATION ON THE COMPANY AND SCM MANAGEMENT**

The Company is an investment holding company. Its principal subsidiaries are engaged in the manufacturing and trading of toys, electronic toys, shoes and leather products, property investment and development, and agriculture and forestry businesses.

SCM Management is engaged in the provision of management services to its affiliates.

## **LISTING RULES IMPLICATIONS**

Mr. Ng is the chairman of the Board, an executive Director and the controlling shareholder of the Company, and hence a connected person of the Company under Rule 14A.07(1) of the Listing Rules. On the other hand, Mr. Ng is an ultimate beneficial owner of SCM Management. By virtue of being an associate of Mr. Ng, SCM Management is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Given the foregoing, the transaction contemplated under the 2019 Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Apart from the 2019 Tenancy Agreement, certain indirect wholly-owned subsidiaries of the Company entered into the 2019 Four Seas Tenancy Agreements with certain associates of Mr. Ng respectively as more particularly described in the announcement of the Company dated 29 March 2019.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under the 2019 Four Seas Tenancy Agreements and the 2019 Tenancy Agreement would be aggregated as all such agreements were entered into within a 12-month period, for the purpose of compliance with applicable connected transaction requirements based on the classification of the aforesaid aggregated continuing connected transactions.

As one or more of the applicable percentage ratios (other than profits ratio) calculated with reference to the aforesaid annual rental under the 2019 Tenancy Agreement on a standalone basis are less than 0.1%, the continuing connected transaction is fully exempted under Rule 14A.76(1) and the one or more of the applicable percentage ratios (other than profits ratio) of the aggregated continuing connected transactions calculated with reference to the largest aggregated annual cap during the terms of the 2019 Four Seas Tenancy Agreements and the 2019 Tenancy Agreement are more than 0.1% but less than 5%, such transactions are subject to announcement, reporting and annual review requirements but exempt from the shareholders' approval pursuant to Rule 14A.76(2) of the Listing Rules.

In view of Mr. Ng's beneficial interests in SCM Management and hence material interest in the transaction as contemplated under the 2019 Tenancy Agreement, Mr. Ng abstained from voting on the Board resolutions in relation to the 2019 Tenancy Agreement.

Ms. Ng Yuk Mui Jessica, a non-executive Director, is an associate of Mr. Ng and is also a director of SCM Management.

In view of the above common directorships, Ms. Ng Yuk Mui Jessica abstained from voting on the Board resolutions in relation to the 2019 Tenancy Agreement.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set opposite them below:

“2018 Tenancy Agreement (A)”	the tenancy agreement dated 29 December 2017 entered into between Copthorne as landlord and SCM Management as tenant in respect of the lease of Units A and B, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, for a term of two years commencing on 1 January 2018 and expiring on 31 December 2019
“2018 Tenancy Agreement (B)”	the tenancy agreement dated 29 December 2017 entered into between Copthorne as landlord and SCM Management as tenant in respect of the lease of Unit B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, for a term of two years commencing on 1 January 2018 and expiring on 31 December 2019

“2019 Four Seas Tenancy Agreements”	the meaning ascribed to it in the announcement of the Company dated 29 March 2019
“2019 Tenancy Agreement”	the tenancy agreement dated 3 December 2019 entered into between Copthorne as landlord and SCM Management as tenant for a term of three years commencing on 1 January 2020 and expiring on 31 December 2022
“associate(s)”	the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and its ordinary shares are being listed and traded on the main board of the Stock Exchange (stock code: 00413)
“connected person”	the meaning ascribed to it under the Listing Rules
“controlling shareholder”	the meaning ascribed to it under the Listing Rules
“Copthorne”	Copthorne Holdings Corp., a company incorporated in Panama with limited liability and an indirect wholly-owned subsidiary of the Company
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Hung Sang, the chairman of the Board, an executive Director and the controlling shareholder of the Company
“SCM Management”	South China Media Management Limited, a company incorporated in Hong Kong with limited liability and beneficially owned by Mr. Ng
“Shareholders”	the holders of the ordinary shares in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)” the meaning ascribed to it under the Listing Rules

“%” per cent

By Order of the Board  
**South China Holdings Company Limited**  
南華集團控股有限公司  
**Cheung Choi Ngor**  
*Executive Director*

Hong Kong, 3 December 2019

*As at the date of this announcement, the Directors are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Yeung Paul as executive Directors; (2) Ms. Ng Yuk Mui Jessica, Mr. Ng Yuk Fung Peter, Mr. David Michael Norman and Ms. Li Yuen Yu Alice as non-executive Directors; and (3) Mr. Chiu Sin Chun, Mr. Kam Yiu Shing Tony, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. as independent non-executive Directors.*