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**SOUTH CHINA ASSETS  
HOLDINGS LIMITED**

南華資產控股有限公司

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

**(Stock Code: 08155)**



**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)**

**JOINT ANNOUNCEMENT**

**DISCLOSEABLE AND CONNECTED TRANSACTION**

**Independent financial advisor to the Independent Board Committee and  
the Independent Shareholders**



FIRST SHANGHAI GROUP  
FIRST SHANGHAI CAPITAL LIMITED  
第一上海融資有限公司

The SCAH Board and the SCHC Board are pleased to announce that on 21 May 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of SCAH) and the Vendor (an indirect wholly-owned subsidiary of SCHC) entered into the Sale and Purchase Agreement pursuant to which the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Share, representing 100% of the entire issued share capital of the Target Company, at a total consideration of HK\$17,500,000. Upon Completion, the Target Company will cease to become an indirect wholly-owned subsidiary of SCHC but will become an indirect wholly-owned subsidiary of SCAH. The Target Company indirectly 100% holds the Site in which industrial complexes and ancillary offices can be developed for lease and sale.

As at the date of this joint announcement, Mr. Ng and his associates hold approximately 64.92% of the total issued share capital of SCAH and approximately 61.22% of the total issued share capital of SCHC. Therefore, each of SCAH and SCHC is an associate of Mr. Ng. Given the Acquisition is a transaction with an associate of a connected person for each of SCAH and SCHC, the Acquisition constitutes a connected transaction for each of SCAH and SCHC under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules respectively.

For SCAH, as one or more of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction under Rule 19.08 of the GEM Listing Rules. Given the Acquisition constitutes a connected transaction, it is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

For SCHC, as all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition is not subject to the reporting or announcement under Rule 14.08 of the Listing Rules. Given the Acquisition constitutes a connected transaction, it is subject to the reporting and announcement but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A circular containing, among other things, (1) further details of the Sale and Purchase Agreement; (2) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (3) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (4) the notice convening the EGM, is expected to be despatched to the shareholders of SCAH on or before 11 June 2020.

**Warnings: The Acquisition is subject to the fulfilment of a number of conditions, including but not limited to approval of the Sale and Purchase Agreement and the transaction contemplated thereunder by the Independent Shareholders at the EGM. As such, the transaction contemplated under the Sale and Purchase Agreement may or may not proceed.**

**Shareholders and potential investors of SCAH and SCHC are advised to exercise caution when dealing in the shares of SCAH and SCHC, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

## INTRODUCTION

The SCAH Board and the SCHC Board are pleased to announce that on 21 May 2020 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of SCAH) entered into the Sale and Purchase Agreement with the Vendor (an indirect wholly-owned subsidiary of SCHC) in respect of the Acquisition at a total consideration of HK\$17,500,000.

## **MAJOR TERMS OF THE SALE AND PURCHASE AGREEMENT**

**Date** 21 May 2020 (after trading hours)

**Parties** (1) Vendor as vendor

(2) Purchaser as purchaser

### **Acquisition**

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to dispose of and the Purchaser conditionally agreed to purchase the Sale Share, representing 100% of the entire issued share capital of the Target Company. Upon Completion, the Target Company will cease to become an indirect wholly-owned subsidiary of SCHC but will become an indirect wholly-owned subsidiary of SCAH.

### **Consideration**

The Consideration for the Acquisition is HK\$17,500,000, which is payable by the Purchaser to the Vendor in cash as follows:

- (a) HK\$7,400,000 (equivalent to approximately RMB6,700,000, being the original acquisition cost paid of the indirect wholly-owned subsidiary of the Target Company which directly holds the Site) to be paid within five (5) Business Days following the Completion Date; and
- (b) HK\$10,100,000 to be paid within five (5) Business Days upon commencement of the main construction works to be carried out in the Site, which shall not be later than twenty-four (24) months from the date of the Sale and Purchase Agreement or such other date to be mutually agreed by the parties thereto.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after taking into account (1) the net book value of the Target Group as at 30 April 2020; and (2) the preliminary valuation of approximately RMB15.8 million (equivalent to approximately HK\$17.5 million) prepared by an independent professional valuer in relation to the fair value of the Target Group as at 30 April 2020. The SCAH Group intends to finance the Consideration as to (i) HK\$7,400,000 by internal resources; and (ii) HK\$10,100,000 by internal resources and/or bank borrowings and/or shareholder's loan.

### **Conditions precedent**

Completion is conditional upon the fulfilment of the following conditions:

- (a) having obtained the approval from the Independent Shareholders at the EGM in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) the Purchaser having completed its due diligence investigation on the Target Group and the Site, and the Purchaser being satisfied with the results of the due diligence investigation;

- (c) completion of the Restructuring;
- (d) there having been no breach of the Vendor's warranties from the date of the Sale and Purchase Agreement up to and inclusive of the Completion Date; and
- (e) no material adverse change on the operation of the Target Group from the date of the Sale and Purchase Agreement till the Completion Date.

If any of the conditions set out above has not been satisfied (where applicable) by 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall lapse automatically, and thereupon the Sale and Purchase Agreement and everything therein contained shall be null and void and of no further effect (for the avoidance of doubt, each party thereto shall have no further claim of whatsoever nature against the other party).

### **Completion**

Subject to the fulfilment of the conditions set out above, the Completion shall take place on the Completion Date.

## **INFORMATION ON SCAH GROUP, SCHC GROUP, VENDOR, PURCHASER AND TARGET GROUP**

### **SCAH Group**

SCAH Group is principally engaged in property development in the PRC and financial services (subsidiaries of SCAH are holding licences for types 1, 2, 4 and 9 regulated activities under the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, and providing money lending services under Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong) in Hong Kong.

### **SCHC Group**

SCHC Group is principally engaged in the manufacturing and trading of toys, electronic toys, shoes and leather products, property investment and development, and agriculture and forestry businesses.

### **The Vendor**

The Vendor is an investment holding company which is an indirect wholly-owned subsidiary of SCHC.

### **The Purchaser**

The Purchaser is an investment holding company which is an indirect wholly-owned subsidiary of SCAH.

### **Target Group**

As at the date of this joint announcement, the Target Company is a direct wholly-owned subsidiary of the Vendor, which is an investment holding company. The Target Company, through its indirect wholly-owned subsidiary, holds the Site in which industrial complexes

and ancillary offices can be developed for lease and sale. Other than the Site to be developed, the Target Group has no other operation and income derived from independent third party.

Set out below are summaries of certain financial information of the Target Group for the years ended 31 December, 2018 and 2019.

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2019</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)
(Loss)/profit before tax <sup>Note</sup>	(280)	341
(Loss)/profit after tax <sup>Note</sup>	(280)	341

The adjusted unaudited consolidated net liabilities of the Target Group as at 30 April 2020 was approximately HK\$1,522,000<sup>Note</sup>.

Based on the information provided by the Vendor, the original acquisition cost paid of the indirect wholly-owned subsidiary of the Target Company which directly holds the Site was approximately RMB6,700,000 (equivalent to approximately HK\$7,400,000).

*Note:*

The Target Company was acquired by the Vendor in April 2020 and one of the subsidiaries of the Target Company (which is an investment holding company) was acquired by the Target Company in May 2020. The financial information of the Target Group for the years ended 31 December, 2018 and 2019 (1) represent such amount attributable to the Target Group for the corresponding period and (2) are adjusted for the effect of Restructuring as if the Restructuring had been completed in the corresponding period.

## **REASONS FOR THE ACQUISITION**

The SCAH Group has been engaging in small-scale property development and as at the date of this joint announcement, SCAH has two property projects in Tianjin. It is SCAH's strategy to seek investments from time to time to broaden the SCAH Group's investment portfolio. The Target Group has acquired the Site since 13 April 2011, but the Site has yet been developed as at the date of this joint announcement as the SCHC Group's business strategies are focusing its resources on large-scale property development, toys manufacturing and agriculture and forestry industries. The Acquisition represents a good opportunity for the SCAH Group to expand its investment portfolio in small-scale property development. The advantages of small-scale property development are (i) investment amount is relatively smaller; and (ii) the lead time from development to completion is relatively shorter (usually within 12 to 30 months from planning to completion) which in turn will generate faster cash flow and give less financial burden to the developer. The SCAH Board are of the view that the Acquisition (1) will provide opportunities for the SCAH Group to expand its property portfolio, enhancing its ability for sustainable development; and (2) will create synergy with other two property projects in Tianjin such as the cost saving opportunities for the back office functions. Following the Acquisition, SCAH plans to develop the Site in two development phases. It is expected that the development of the Site will contribute revenue and positive cash flow to the SCAH Group.

The SCHC Group's business strategies are focusing its resources on large-scale property development, toys manufacturing and agriculture and forestry industries and the Site has yet been developed as at the date of this joint announcement since the acquisition of the Site. The Acquisition represents a good opportunity for the SCHC Group to (1) recover its original acquisition cost paid of the indirect wholly-owned subsidiary of the Target Company which directly holds the Site and (2) realize the gain on the land appreciation of the Site. The proceeds from the Acquisition can strengthen the cash position of the SCHC Group and are expected to use as general working capital.

The SCHC Board and SCAH Board (excluding the Independent Board Committee whose opinion will be rendered and stated in the circular to be despatched to its shareholders after taking into account the advice from the Independent Financial Adviser) are of the view that the Acquisition is on normal commercial terms, and that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of SCHC and SCAH and their shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this joint announcement, Mr. Ng and his associates hold approximately 64.92% of the total issued share capital of SCAH and approximately 61.22% of the total issued share capital of SCHC. Therefore, each of SCAH and SCHC is an associate of Mr. Ng. Given the Acquisition is a transaction with an associate of a connected person for each of SCAH and SCHC, the Acquisition constitutes a connected transaction for each of SCAH and SCHC under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules respectively.

Given the connected transaction for each of SCAH and SCHC, Mr. Ng, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Ms. Ng Yuk Mui Jessica and Mr. Ng Yuk Yeung Paul are directors of both SCAH and SCHC, they all abstained from voting on the board resolutions of each of SCAH and SCHC in relation to the approval of the Acquisition.

For SCAH, as one or more of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction under Rule 19.08 of the GEM Listing Rules. Given the Acquisition constitutes a connected transaction, SCAH is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

For SCHC, as all the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition are less than 5%, the Acquisition is not subject to the reporting or announcement under Rule 14.08 of the Listing Rules. Given the Acquisition constitutes a connected transaction, SCHC is subject to the reporting and announcement, but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee (comprising of all independent non-executive directors of SCAH) will be formed to advise the Independent Shareholders with respect to the relevant resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder proposed to be passed at the EGM.

SCAH has appointed First Shanghai Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

## **EGM**

EGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (1) further details of the Sale and Purchase Agreement; (2) the letter of recommendation from the Independent Board Committee to the Independent Shareholder; (3) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (4) the notice convening the EGM, is expected to be despatched to the shareholders of SCAH on or before 11 June 2020.

**Warnings: The Acquisition is subject to the fulfilment of a number of conditions, including but not limited to approval of the Sale and Purchase Agreement and the transaction contemplated thereunder by the Independent Shareholders at the EGM. As such, the transaction contemplated under the Sale and Purchase Agreement may or may not proceed.**

**Shareholders and potential investors of SCAH and SCHC are advised to exercise caution when dealing in the shares of SCAH and SCHC, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

## **DEFINITION**

Unless the context otherwise requires, capitalized terms used in this joint announcement shall have the following meaning:

“Acquisition”	the acquisition by the Purchaser from the Vendor of the Sale Share as contemplated under the Sale and Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“Business Day”	a day (other than Saturday, Sunday, public holiday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business, and “Business Days” shall mean more than one Business Day
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement

“Completion Date”	means the date of Completion, which shall be a date falling within five (5) Business Days after the fulfilment of all conditions precedent in accordance with the Sale and Purchase Agreement, or such other date as the Vendor and the Purchaser may further agree in writing
“Consideration”	the consideration of the Sale Share, being HK\$17,500,000
“EGM”	extraordinary general meeting of SCAH, to be convened to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Independent Board Committee”	an independent board committee of the SCAH Board established by the SCAH Board, comprising all the independent non-executive directors of SCAH, namely Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, to advise the Independent Shareholders with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with regard to the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders of SCAH, other than Mr. Ng and his associates who are required to abstain from voting at the EGM pursuant to the GEM Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 July 2020 or such other date as the Vendor and the Purchaser may further agree in writing
“Mr. Ng”	Mr. Ng Hung Sang, chairman and executive director of each of the SCAH Board and SCHC Board, an ultimate controlling shareholder of each of SCAH and SCHC



“NAV”	the net assets value, being total assets minus total liabilities
“PRC”	the People’s Republic of China but excluding Hong Kong, Taiwan and Macau Special Administrative Region of the People’s Republic of China for the purpose of this joint announcement
“Purchaser”	Proper Mark International Limited, an indirect wholly-owned subsidiary of SCAH
“Restructuring”	internal restructuring of the Target Group upon which two (2) indirect subsidiaries of the Target Company namely 世豐(天津)物業管理有限公司 (Shifeng (Tianjin) Property Management Limited*) and 南京世豐物業管理有限公司 (Nanjing Shifeng Property Management Limited*) shall be detached from the Target Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 May 2020 entered into between the Vendor and the Purchaser in respect of the Acquisition
“Sale Share”	one (1) share of US\$1.00 in the share capital of the Target Company, representing 100% of its entire issued share capital, to be bought and sold pursuant to the Sale and Purchase Agreement
“SCAH”	South China Assets Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, and its ordinary shares are being listed and traded on GEM (stock code: 08155)
“SCAH Board”	board of directors of SCAH
“SCAH Group”	SCAH and its subsidiaries
“SCHC”	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)
“SCHC Board”	board of directors of SCHC
“SCHC Group”	SCHC and its subsidiaries
“Site”	the development site at Xiazhuzhuang Street, Wuqing District, Tianjin City* (天津市武清區下朱莊街), having a total area of approximately 53,333.8 square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Silver Giant Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company and its subsidiaries upon completion of the Restructuring
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	South China Industries (China) Limited, an indirect wholly-owned subsidiary of SCHC
“%”	per cent.

*In this joint announcement, for reference only, the translation of Hong Kong dollars into RMB is based on the exchange rate of HK\$100=RMB90.*

*\* Denotes English translation of Chinese company name(s) or address and is provided for identification purpose only*

By Order of the Board  
**South China Assets Holdings Limited**  
 南華資產控股有限公司  
**Ng Yuk Mui Jessica**  
*Executive Director*

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, 21 May 2020

*As at the date of this joint announcement, the directors of SCAH are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Ms. Ng Yuk Mui Jessica as executive directors; (2) Mr. Ng Yuk Yeung Paul as non-executive director; and (3) Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang as independent non-executive directors.*

*As at the date of this joint announcement, the directors of SCHC 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.*

*This joint announcement, for which the directors of SCAH collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard SCAH. The directors of SCAH, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this joint announcement is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this joint announcement misleading.*

*This joint announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and on the website of SCAH at [www.scassets.com](http://www.scassets.com).*