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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)

Connected Transaction Provision of Loan

INTRODUCTION

Reference is made to the announcement of the Company dated 11 February 2014 regarding the connected transaction in relation to provision of loan under Previous Loan Agreement. By the Previous Loan Agreement, it was agreed that, among others, Wealth Box (as borrower) shall repay to Phipnic (as lender) the outstanding indebtedness under Previous Loan Agreement not later than Maturity Date. The loan made to Wealth Box under Previous Loan Agreement carries interest at Prime Rate. The aforesaid outstanding indebtedness as at the date of this announcement is approximately amounted to HK\$75.5 million.

On 16 March 2017, Phipnic entered into the Loan Agreement with Wealth Box whereby Phipnic agreed to grant to Wealth Box a loan for the sum of HK\$75,500,000 upon and subject to the terms and conditions set out in the Loan Agreement, including, among others, the repayment of the Accrued Interest by Wealth Box to Phipnic, not later than the Maturity Date. The purpose of the Loan is to refinance the outstanding principal under Previous Loan Agreement. The drawdown of the Loan will take place on or before 17 March 2017.

THE PRINCIPAL TERMS OF THE LOAN AGREEMENT

The principal terms of the Loan Agreement are as follows:

1. Date : 16 March 2017
2. Lender : Phipnic, an indirect wholly-owned subsidiary of the Company
3. Borrower : Wealth Box, an indirect wholly-owned subsidiary of SCAH
4. Loan principal : HK\$75,500,000
5. Term : Three (3) years commencing from the date of drawdown of the Loan

6. Purpose : To refinance the outstanding principal under Previous Loan Agreement
7. Interest : Prime Rate per annum, which currently is 5% per annum
8. Repayment : To be repaid at the earlier of:
(a) three (3) years from the date of drawdown;
(b) the date on which the Borrower, in its sole opinion, is financially capable to repay in whole or in part of the indebtedness; and
(c) on demand by the Lender for immediate repayment of all or any part of the indebtedness.

REASON FOR AND BENEFITS OF THE LOAN FOR THE COMPANY

The purpose of the Loan is to refinance the outstanding principal under Previous Loan Agreement. This will provide interest income to the Group.

The directors of the Company (including the independent non-executive directors) believe that the terms of the Loan Agreement are on normal commercial terms, fair and reasonable, and the entering into of the Loan Agreement is in the interests of the Company and the shareholders of the Company as a whole.

INFORMATION ON THE COMPANY

The Company is an investment holding company. Its 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.

INFORMATION ON THE BORROWER

Wealth Box is a company incorporated in Hong Kong. It is an indirect wholly-owned subsidiary of SCAH, a company listed on the GEM.

LISTING RULES IMPLICATIONS

Mr. Ng is the Chairman, an Executive Director and a substantial shareholder of each of the Company and SCAH, and therefore a connected person of each of the Company and SCAH under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules. Accordingly, the Loan constitutes a connected transaction for the Company and SCAH under Rule 14A.25 of the Listing Rules and Rule 20.23 of the GEM Listing Rules respectively.

In addition, Ms. Cheung Choi Ngor (“Ms. Cheung”), Mr. Richard Howard Gorges (“Mr. Gorges”) and Mr. Law Albert Yu Kwan (“Mr. Law”) are the Executive Directors of each of the Company and SCAH. Mr. Ng Yuk Yeung Paul (“Mr. Paul Ng”), an Executive Director of the Company, is a Non-executive Director of SCAH. Ms. Ng Yuk Mui Jessica (“Ms. Jessica Ng”), a Non-executive Director of the Company, is an Executive Director of SCAH. Sr Dr. Leung Tony Ka Tung (“Sr Dr. Leung”) is an Independent Non-executive Director of each of the Company and SCAH.

Given the above, Mr. Ng, who has a material interest in the Loan Agreement, and the other common directors of the respective board of directors of the Company and SCAH, namely Ms. Cheung, Mr. Gorges, Ms. Jessica Ng, Mr. Paul Ng, Mr. Law and Sr Dr. Leung, did not participate in the respective board's deliberations on the Loan Agreement and the transactions contemplated thereunder, and had abstained from voting on the resolutions at the relevant board meetings of the Company and SCAH. Mr. Ng Yuk Fung Peter, an Executive Director of the Company, being an associate of Mr. Ng, also did not participate in the deliberations on the Loan Agreement and the transactions contemplated thereunder, and had abstained from voting on the resolutions at the board meeting of the Company.

As the applicable Percentage Ratios calculated in accordance with the Listing Rules for the connected transaction under the Loan are less than 5%, the Loan is only subject to the reporting and announcement requirements and is exempted from the shareholders' approval requirement under Rule 14A.76 of the Listing Rules. Given that the financial assistance provided by the Company is on normal commercial terms and without security over assets of SCAH, such a connected transaction for SCAH is exempted from all reporting, announcement and shareholders' approval requirements pursuant to Rule 20.88 of the GEM Listing Rules.

DEFINITIONS

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

“Accrued Interest”	the interest accrued on the principal of HK\$78,000,000 under Previous Loan Agreement at Prime Rate pursuant to the terms thereof;
“associate(s)”	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
“Company”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the ordinary shares of which are listed on the main board of the Stock Exchange (stock code: 00413);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of the China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Loan”	the loan with the principal amount of HK\$75,500,000 set out in the Loan Agreement;
“Loan Agreement”	the loan agreement dated 16 March 2017 entered into between Phipnic (as lender) and Wealth Box (as borrower) in relation to the Loan;
“Maturity Date”	date not later than three (3) years from the drawdown of loan pursuant to Previous Loan Agreement, that is 17 March 2017;
“Mr. Ng”	Mr. Ng Hung Sang, the Chairman and an Executive Director and a substantial shareholder of each of the Company and SCAH;
“Percentage Ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“Phipnic”	Phipnic Investments Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of the Company;
“Previous Loan Agreement”	the loan agreement dated 11 February 2014 entered into between Phipnic (as lender) and Wealth Box (as borrower) in respect of the provision of a loan of HK\$78,000,000 by Phipnic to Wealth Box;
“Prime Rate”	prime lending rate charged from time to time by The Hongkong and Shanghai Banking Corporation Limited;
“SCAH”	South China Assets Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the ordinary shares of which are listed on the GEM board of the Stock Exchange (stock code: 08155);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules and the GEM Listing Rules;
“Wealth Box”	Wealth Box Investments Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of SCAH;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

By order of the Board of
South China Holdings Company Limited
南華集團控股有限公司
Richard Howard Gorges
Executive Director

Hong Kong, 16 March 2017

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