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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)**

### **DISCLOSEABLE TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY**

On 1 December 2021 (after trading hours), the Vendor as vendor and the Vendor Guarantor, entered into the Equity Transfer Agreement with the Purchaser as purchaser and the Purchaser Guarantor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell the 100% equity interest in Target Company at the consideration of RMB225,000,000 (equivalent to approximately HK\$274,390,000).

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that the Disposal is subject to the satisfaction of the conditions under the Equity Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

The Board announces that on 1 December 2021 (after trading hours), the Vendor as vendor and the Vendor Guarantor entered into the Equity Transfer Agreement with the Purchaser as purchaser and the Purchaser Guarantor in respect of the Disposal.

## **EQUITY TRANSFER AGREEMENT**

Date : 1 December 2021

Parties : the Vendor;  
the Vendor Guarantor;  
the Purchaser; and  
the Purchaser Guarantor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser, the Purchaser Guarantor and their respective ultimate beneficial owner are Independent Third Parties.

### **Asset to be disposed of**

100% of the equity interest in Target Company.

### **Consideration**

The consideration of RMB225,000,000 (equivalent to approximately HK\$274,390,000) shall be settled as follows:

- (i) an amount of RMB58,000,000 (equivalent to approximately HK\$70,732,000) shall be paid by the Purchaser within ten (10) Business Days from the date of the Equity Transfer Agreement;
- (ii) an amount of RMB137,000,000 (equivalent to approximately HK\$167,073,000) shall be paid by the Purchaser upon the completion of the registration of the Disposal with the governing authorities in the PRC; and
- (iii) the balance of the consideration, being RMB30,000,000 (equivalent to approximately HK\$36,585,000) shall be paid by the Purchaser within twelve (12) months from the date of the First Instalment or such other date to be agreed in writing by the Vendor and the Purchaser upon which the Vendor shall deliver vacant possession of the Property to the Purchaser.

### **Basis of the Consideration**

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the financial performance of the Property and the carrying value of the Property.

### **Guarantee**

The Vendor's obligations under the Equity Transfer Agreement are guaranteed by Vendor Guarantor.

The Purchaser's obligations under the Equity Transfer Agreement are guaranteed by Purchaser Guarantor.

## **Conditions precedent**

Completion is subject to the following conditions precedent having been fulfilled:

- (i) the Property being free from encumbrances, including but not limited to charges;
- (ii) completion of the Internal Restructuring;
- (iii) the Target Company having no liabilities, guarantees to any other third parties and pending litigations;
- (iv) the Vendor having obtained the approval from the shareholders of the Vendor in respect of the Equity Transfer Agreement and the transactions contemplated therein;
- (v) the Purchaser having obtained the approval from its shareholders of the Purchaser in respect of the Equity Transfer Agreement and the transactions contemplated therein;
- (vi) the Vendor and its ultimate holding entity having obtained all necessary consents and approvals pursuant to the relevant laws and rules (including but not limited to the Listing Rules) in respect of the Equity Transfer Agreement and the transactions contemplated therein; and
- (vii) completion of due diligence review by the Purchaser for ascertaining the fulfillment of conditions set out in (i) to (vi) above.

## **Completion**

Subject to the fulfillment of the above conditions precedent, the Vendor shall procure the Target Company to arrange for registration of the Disposal with the governing authorities in the PRC within three (3) months after the signing of the Equity Transfer Agreement (save and except the delay in registration is out of the Vendor's control, e.g. approval by the governing authorities) or such other date to be mutually agreed in writing by the Vendor and the Purchaser.

Completion shall take place on the date the Purchaser becomes the registered holder of 100% equity interest in the Target Company, i.e., the Target Company will cease to be an indirect wholly-owned subsidiary of the Company upon Completion.

## **INFORMATION ON THE TARGET COMPANY AND THE PROPERTY**

As at the date of this announcement, the Target Company is a limited liability company incorporated under the laws of the PRC, which is wholly-owned by the Vendor, and it is principally engaged in investment holding. The Property was acquired by the Vendor in 1993 and is an investment property of the Group.

Set out below are summaries of certain unaudited financial information of the Target Company for the years ended 31 December 2019 and 2020.

	<b>For the financial year ended 31 December</b>	
	<b>2020</b> <i>HK\$'000</i>	<b>2019</b> <i>HK\$'000</i>
Profit before tax <sup>Note 1</sup>	160,942	5,761
Profit after tax <sup>Note 1</sup>	123,716	2,540
Adjusted profit before tax <sup>Notes 1&amp;2</sup>	8,908	6,966
Adjusted (loss)/profit after tax <sup>Notes 1&amp;2</sup>	(28,318)	3,745

The unaudited net assets of the Target Company as at 31 December 2020 was approximately RMB222,620,000 (equivalent to HK\$271,488,000)<sup>Note 1</sup>.

*Notes:*

1. The Target Company was established in November 2021. The Target Company did not hold any assets as at the date of this announcement and will hold the Property upon the completion of Internal Restructuring. The financial information of the Target Company for the years ended 31 December 2019 and 2020 are adjusted for the effect of the Internal Restructuring as if the Internal Restructuring had been completed in the corresponding period.
2. The adjusted profit before tax and profit after tax were derived from the unaudited profit before tax and profit after tax for the period excluding the fair value gain on the Property for the period (2020: approximately HK\$136,300,000 and 2019: approximately HK\$1,136,000) and the exchange gain/(loss) for the period (2020: approximately HK\$15,734,000 and 2019: approximately HK\$(2,341,000)).

## **INFORMATION ON THE COMPANY, THE VENDOR, THE VENDOR GUARANTOR, THE PURCHASER AND THE PURCHASER GUARANTOR**

### **The Company**

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.

### **The Vendor**

The Vendor is a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

### **The Vendor Guarantor**

The Vendor Guarantor is a company incorporated under the laws of PRC. It is principally engaged in manufacturing and trading of electronic products.

## **The Purchaser**

The Purchaser is a company incorporated under the laws of PRC. It is principally engaged in equity investment, industrial investment and venture capital businesses. As at the date of this announcement, the ultimate beneficial owner of the Purchaser is Mr. Chen Jian Min\* (陳健民).

## **The Purchaser Guarantor**

The Purchaser Guarantor is a company incorporated under the laws of PRC. It is principally engaged in property development, project management services and project consultancy businesses. As at the date of this announcement, the ultimate beneficial owner of the Purchaser Guarantor is Mr. Chen Jian Min\* (陳健民).

## **FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS**

The unaudited net assets of the Target Company as at 31 December 2020<sup>Note</sup> was approximately RMB222,620,000 (equivalent to approximately HK\$271,488,000). The Group is expected to record a gain of approximately RMB2,380,000 (equivalent to approximately HK\$2,902,000) from the Disposal, which is calculated based on the total consideration received by the Group for the Disposal less the unaudited net assets of the Target Company as at 31 December 2020<sup>Note</sup> before any related expenses. Shareholders should note that the actual gain on disposal to be recorded by the Company will depend on the actual book value of the Target Company as at the date of Completion.

The Company intends to use the net proceeds from the Disposal as general working capital of the Group.

*Note:*

The Target Company was established in November 2021. The Target Company did not hold any assets as at the date of this announcement and will hold the Property upon the completion of Internal Restructuring. The unaudited net assets of the Target Company as at 31 December 2020 is adjusted for the effect of the Internal Restructuring as if the Internal Restructuring had been completed as at 31 December 2020.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

Taking into account of the current financial position and business operation of the Group, the Board believes that the Disposal is a good opportunity for the Group to realise the value of the Property at a reasonable price and the proceeds from the Disposal will improve the financial position and increase the general working capital of the Group.

The Board considers that the Disposal and the terms of the Equity Transfer Agreement have been made on normal commercial terms and are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

As none of the Directors has a material interest in the Disposal, no Director shall be abstained from voting on the relevant board resolutions of the Company.

**Shareholders and potential investors of the Company should note that the Disposal is subject to the satisfaction of the conditions under the Equity Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong and the PRC are generally open for business
“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)
“Completion”	completion of the Disposal under the Equity Transfer Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal by the Vendor of the 100% of the equity interest in the Target Company subject to and upon the terms and conditions of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 1 December 2021 entered into among the Vendor, the Vendor Guarantor, the Purchaser and the Purchaser Guarantor regarding the sale and purchase of 100% of the equity interest in the Target Company

“First Instalment”	RMB58,000,000 (equivalent to approximately HK\$70,732,000) shall be paid by the Purchaser within ten (10) Business Days from the date of the Equity Transfer Agreement
“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 PRC
“Independent Third Party(ies)”	any person or company who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rules
“Internal Restructuring”	internal restructuring of the Vendor upon which the Property currently held directly by the Vendor will be held by the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Property”	located at Changan Town, Xiaobian Administrative Zone* (長安鎮霄邊管理區), Dongguan City, the PRC with a site area of approximately 34,000 square meters
“Purchaser”	Dongguan City Guanxinzhongnan Shiye Company Limited* (東莞市莞信中南實業投資有限公司), a limited liability company incorporated under the laws of the PRC
“Purchaser Guarantor”	Dongguan City Guangda Property Development Company Limited* (東莞市光大房地產開發有限公司), a limited liability company incorporated under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“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)”	has the meaning ascribed to it under the Listing Rules

“Target Company”	Dongguan Nority Corporate Management Limited* (東莞耐力企業管理有限公司), a limited liability company incorporated under the laws of the PRC which is wholly-owned by the Vendor
“Vendor”	Hong Kong Nority Development Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company, having a land use right of the Property with a site area of approximately 34,000 square meters
“Vendor Guarantor”	Taimei Huasheng (Huizhou) Electronics Company Limited* (泰美華升(惠州)電子有限公司), a limited liability company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

*In this announcement, for reference only, the exchange rate between HK\$ and RMB is at the rate of HK\$100 = RMB82.*

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, 1 December 2021

*As at the date of this announcement, the directors of the Company are: (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor 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, Mrs. Tse Wong Siu Yin Elizabeth, Mr. Kam Yiu Shing Tony and Ms. Pong Scarlett Oi Lan, BBS, J.P. as independent non-executive Directors.*

*The English translation of an entity or company’s name in Chinese which is marked with “\*” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*