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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 TRANSACTIONS RENEWAL OF TENANCY AGREEMENTS

INTRODUCTION

Reference is made to the announcement of the Company dated 15 January 2016 regarding First City and Glorious Dragon as landlords, both being indirect wholly-owned subsidiaries of the Company, entered into tenancy agreements with HK Four Seas and Four Seas Tours as tenants respectively, for a term of 15 months from 1 January 2016 to 31 March 2017. On 24 March 2017, the abovementioned contractual parties had entered into renewal agreements of HK Four Seas Tenancy Agreement and Four Seas Tours Tenancy Agreement (collectively “Four Seas Tenancy Agreements”).

RENEWAL OF FOUR SEAS TENANCY AGREEMENTS

Set out below are the key terms of the renewed Four Seas Tenancy Agreements:

HK Four Seas Tenancy Agreement

Parties: First City (as landlord)
HK Four Seas (as tenant)

Terms: 2 years from 1 April 2017 to 31 March 2019

Premises: 1st Floor, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong

Monthly Rental: HK\$133,000 (exclusive of building management fee, government rates and utility charges)

Four Seas Tours Tenancy Agreement

Parties: Glorious Dragon (as landlord)
Four Seas Tours (as tenant)

Terms: 2 years from 1 April 2017 to 31 March 2019

Premises: 2nd Floor, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong

Monthly Rental: HK\$129,504 (exclusive of building management fee, government rates and utility charges)

REASONS FOR AND BENEFITS OF THE RENEWAL OF THE TENANCY AGREEMENTS

The rentals for the premises set out in Four Seas Tenancy Agreements were 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 provides the Group with stable rental income without discontinuation. The Directors (including the independent non-executive Directors) considered that the Four Seas Tenancy Agreements were entered into (i) in the ordinary and usual course of business of the Company on normal commercial terms; (ii) the terms of the transactions contemplated thereunder are fair and reasonable; and (iii) such transactions are in the interests of the Group and the Shareholders as a whole.

RELATIONSHIPS BETWEEN THE PARTIES

First City and Glorious Dragon are indirect wholly-owned subsidiaries of the Company.

Mr. Ng, the chairman, an executive director and the substantial shareholder of the Company and, hence, a connected person thereof, is the ultimate beneficial owner of HK Four Seas and holds more than 30% beneficial interest in Four Seas Tours. By virtue of being associates of Mr. Ng, HK Four Seas and Four Seas Tours are connected persons of the Company according to the Listing Rules.

ANNUAL CAP AND AGGREGATED ANNUAL CAP

The annual cap is determined by reference to the agreed annual rental received or receivables under the terms of Four Seas Tenancy Agreements. The aggregated annual cap, being the maximum aggregate annual value as defined under the Listing Rules calculated on Four Seas Tenancy Agreements, the previously disclosed SCM Tenancy Agreements and Jessicacode Tenancy Agreement with the annual rentals for year ended 2017, 2018 and 2019 are HK\$4.2 million, HK\$3.2 million and HK\$0.8 million respectively. As such, the proposed aggregated annual cap is HK\$4.2 million rental receivables in the year of 2017.

INFORMATION ON THE COMPANY, HK FOUR SEAS AND FOUR SEAS TOURS

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.

HK Four Seas, which is engaged in wholesale travel business, provides air ticketing wholesale and travel related services mainly to travel agents.

Four Seas Tours, which is engaged in corporate travel business, provides travel agency and travel related services mainly to corporate customers.

LISTING RULES IMPLICATIONS

Mr. Ng, the chairman, an executive director and the substantial shareholder of the Company and, hence, a connected person thereof, is the ultimate beneficial owner of HK Four Seas and holds more than 30% beneficial interest in Four Seas Tours. By virtue of being associates of Mr. Ng, HK Four Seas and Four Seas Tours are connected persons of the Company. As such, the transactions contemplated under Four Seas Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As each of the applicable Percentage Ratios (other than the profits ratio) calculated in accordance with the Listing Rules for the continuing connected transaction under Four Seas Tenancy Agreements on an annual basis is less than 0.1%, the Four Seas Tenancy Agreements on a standalone basis is fully exempted from the announcement, reporting and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

When the continuing connected transactions under the Four Seas Tenancy Agreements, the previously disclosed SCM Tenancy Agreements and Jessicacode Tenancy Agreement were aggregated pursuant to Rule 14A.81 of the Listing Rules. The applicable Percentage Ratios (other than the profits ratio) calculated on an aggregate basis with reference to the largest aggregate annual cap during the terms of such agreements, which represents abovementioned aggregate rental receivables in the year of 2017 amounting to HK\$4.2 million, are more than 0.1% but less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but exempt from the shareholders' approval requirements under Rule 14A.76(2) of the Listing Rules.

In view of the interests in HK Four Seas and Four Seas Tours and, hence, a material interest in the relevant transactions, Mr. Ng has abstained from voting on the Board resolutions in relation to the Four Seas Tenancy Agreements.

Mr. Ng Yuk Fung Peter ("Mr. Peter Ng"), the executive vice chairman and an executive director of the Company, is also a director of HK Four Seas.

Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng"), the executive vice chairman and an executive director of the Company, is also a director of First City, Glorious Dragon, HK Four Seas and Four Seas Tours.

Ms. Cheung Choi Ngor ("Ms. Cheung"), the vice chairman and an executive director of the Company, is also a director of First City, Glorious Dragon, HK Four Seas and Four Seas Tours.

In view of the above common directorships, Mr. Peter Ng, Mr. Paul Ng and Ms. Cheung had abstained from voting on Board resolutions in relation to the Four Seas Tenancy Agreements.

DEFINITIONS

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

"associate(s)"	has 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 the ordinary shares of which are listed on the main board of the Stock Exchange (stock code: 00413);
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Directors"	directors of the Company;

“First City”	First City Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company;
“Four Seas Tenancy Agreements”	HK Four Seas Tenancy Agreement and Four Seas Tours Tenancy Agreement collectively;
“Four Seas Tours”	Four Seas Tours Limited, a company incorporated in Hong Kong with limited liability in which Mr. Ng holds more than 30% beneficial interest;
“Four Seas Tours Tenancy Agreement”	the tenancy agreement dated 24 March 2017 entered into between Glorious Dragon as landlord and Four Seas Tours as tenant with the key terms thereof summarized in the section headed “Renewal of Four Seas Tenancy Agreements”;
“Glorious Dragon”	Glorious Dragon Investments Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK Four Seas”	Hong Kong Four Seas Tours Limited, a company incorporated in Hong Kong with limited liability and beneficially owned by Mr. Ng;
“HK Four Seas Tenancy Agreement”	the tenancy agreement dated 24 March 2017 entered into between First City as landlord and HK Four Seas as tenant with the key terms thereof summarized in the section headed “Renewal of Four Seas Tenancy Agreements”;
“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;
“Jessicacode Tenancy Agreement”	A tenancy agreement dated 30 June 2015 entered into between Copthorne Holdings Corp. as landlord and Jessicacode Management Limited as tenant in relation to the tenancy of Unit C on 3 rd Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong for the period from 1 July 2015 to 30 June 2017 (both days inclusive) together with surrender agreement dated 17 January 2017 for the same premises, details of which were set out in the announcements of the Company dated 30 June 2015 and 17 January 2017 respectively;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Mr. Ng”	Mr. Ng Hung Sang, the chairman, an executive director and the substantial shareholder of the Company;
“Percentage Ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“SCM Tenancy Agreements”	the three tenancy agreements and the license agreement (for 2 car parking spaces) dated 31 December 2015 entered into between Copthorne Holdings Corp. as landlord and South China Media Management Limited as tenant in relation to the tenancy of the premises at (i) Units A, B and D on 3 rd Floor; (ii) Units C and D on 4 th Floor; (iii) Unit B on 12 th Floor and (iv) license agreement of car parking spaces nos. 13A and 13B of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong for the period from 1 January 2016 to 31 December 2017 (both days inclusive) as detailed in the announcement of the Company dated 15 January 2016 and the subsequent early termination of leases regarding Units C and D on 4 th Floor and car parking spaces nos. 13A and 13B, together with the partial surrender agreement dated 17 January 2017 regarding premises of Unit D on 3 rd Floor, of Wah Shing Centre, 5 Fung Yip Street, Chaiwan, Hong Kong as set out in the announcement of the Company dated 17 January 2017;
“Shareholders”	the holders of the ordinary shares in the 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;
“substantial shareholder”	has 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
Richard Howard Gorges
Executive Director

Hong Kong, 24 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.