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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in the Company, you should hand this circular together with the accompany form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
ENTIRE ISSUED SHARE CAPITAL OF GENIUS YEAR LIMITED
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

**金融有限公司
OCTAL Capital Limited**

A notice convening an extraordinary general meeting (the “EGM”) of South China Holdings Company Limited (the “Company”) to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 11 January 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM or any adjournment thereof, you are requested to read the notice and complete and return the proxy form in accordance with the instructions printed thereon, to the Company’s share registrar and transfer office, Union Registrars Limited at Suites 3301–04 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM: (i) Compulsory temperature screening/checks; (ii) Wearing of surgical face mask; and (iii) No provision of refreshments or drinks or souvenir. Attendees who do not comply with the precautionary measures referred to in (i) and (ii) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

16 December 2022

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DEFINITIONS

In this circular, the following expressions shall, unless the context otherwise requires, have the following meanings:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bannock”	Bannock Investment Limited, a company incorporated in the Republic of Liberia which is a wholly-owned subsidiary of Eartrade
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“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
“BVI”	the British Virgin Islands
“Company”	South China Holdings Company Limited 南華集團控股有限公司, an exempted company incorporated in the Cayman Islands, and its ordinary shares are being listed and traded on the Stock Exchange (stock code: 00413)
“Completion”	completion of the sale and purchase of the Genius Year Share in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which shall be a date falling within three (3) Business Days (or such other later period as mutually agreed by the Vendor and the Purchaser) after the fulfillment of all conditions precedent as specified in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$89,840,000 payable by the Purchaser to the Vendor for the Genius Year Share
“Conversion Price”	the initial conversion price of HK\$0.32 per Conversion Share, which is subject to adjustment(s) pursuant to the terms and conditions of the Convertible Bonds

DEFINITIONS

“Conversion Shares”	the shares to be allotted and issued by SCFH upon the exercise of the conversion right attaching to the Convertible Bonds
“Convertible Bonds”	convertible bonds in the total principal amount of HK\$89,840,000 to be issued by SCFH to the Vendor
“Director(s)”	director(s) of the Company
“Crystal Hub”	Crystal Hub Limited, a company incorporated in the BVI, which is a wholly-owned subsidiary of SCAH
“Eartrade”	Eartrade Investments Limited, a company incorporated in Hong Kong, which is owned as to 60% by Mr. Ng, 20% by Ms. Cheung and 20% by Mr. Richard Howard Gorges
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion)
“Fung Shing”	Fung Shing Group Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Ng
“Gangyang”	武漢港洋林業發展有限公司, a company incorporated in the PRC, which is a wholly-owned subsidiary of Genius Year as at the Latest Practicable Date
“Gangyang Sites”	16 sites of woods mainly in Chongyang County, Xianning City, Hubei Province, the PRC, having a total area of approximately 80,006 mu (approximately 53 million sq.m.), of which the title holder is Gangyang
“Genius Year”	Genius Year Limited, a company incorporated in the BVI, which is a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
“Genius Year Group”	Genius Year and its subsidiaries
“Genius Year Share”	one (1) share of US\$1.00 in the share capital of Genius Year, representing 100% of its entire issued share capital
“Genius Year Sites”	the Gangyang Sites and the Huafeng Sites

DEFINITIONS

“Green Orient”	Green Orient Investments Limited, a company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Huafeng”	武漢華峰農林發展有限公司, a company incorporated in the PRC, which is a wholly-owned subsidiary of Genius Year as at the Latest Practicable Date
“Huafeng Sites”	12 sites of woods mainly in Chongyang County, Xianning City, Hubei Province, the PRC, having a total area of approximately 59,209 mu (approximately 39 million sq.m.), of which the title holder is Huafeng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board established by the Company, comprising of the independent non-executive Directors (namely Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P.) to advise the Independent Shareholders with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion)
“Independent Financial Adviser”	Octal Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion)
“Independent Shareholders”	shareholders of the Company, other than Mr. Ng, Ms. Cheung, Mr. Paul Ng, Ms. Jessica Ng and Mr. Peter Ng and their respective associates who are required to abstain from voting at the EGM pursuant to the Listing Rules

DEFINITIONS

“Latest Practicable Date”	9 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	13 January 2023 or such other date as the Vendor and the Purchaser may further agree in writing
“Mr. Ng”	Mr. Ng Hung Sang, the chairman of the board of directors and an executive director of the Company, and a substantial shareholder of each of the Company and SCFH
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, son of Mr. Ng, the executive director of the Company and a director of certain subsidiaries of SCFH
“Mr. Peter Ng”	Mr. Ng Yuk Fung Peter, son of Mr. Ng, the non-executive director of the Company
“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive director of each of the Company and SCFH
“Ms. Jessica Ng”	Ms. Ng Yuk Mui Jessica, daughter of Mr. Ng, the non-executive director of the Company and the executive director of SCFH
“Ms. Ng”	Ms. Ng Lai King Pamela, spouse of Mr. Ng
“Parkfield”	Parkfield Holdings Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Ng
“Power On”	Power On Investments Limited 栢安投資有限公司, a company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Power Path”	Power Path Global Limited 廣環球有限公司, a company incorporated in the BVI, which is a wholly-owned subsidiary of SCFH
“PRC”	the People’s Republic of China, but excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this circular

DEFINITIONS

“Purchaser”	Power Path
“RMB”	Renminbi, the lawful currency of the PRC
“Ronastar”	Ronastar Investments Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Ng
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 September 2022 entered into between the Vendor and the Purchaser in relation to, among other matters, the sale and purchase of the Genius Year Share
“SCAH”	South China Assets Holdings Limited 南華資產控股有限公司, an exempted company incorporated in the Cayman Islands of which Mr. Ng beneficially owned approximately 69.33% as at the Latest Practicable Date
“SCFH”	South China Financial Holdings Limited 南華金融控股有限公司, a company incorporated in Hong Kong, the issued Shares of which are listed on the Stock Exchange (stock code: 00619)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it in the Listing Rules
“Thousand China”	Thousand China Investments Limited, a company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company
“Uni-Spark”	Uni-Spark Investments Limited, a company incorporated in Hong Kong, which is wholly and beneficially owned by Mr. Ng
“Valuation Report”	the valuation report issued by Ravia Global Appraisal Advisory Limited in respect of the Genius Year Sites
“Vendor”	Thousand China

DEFINITIONS

“Wealthy Key”	Wealthy Key Limited 富曼有限公司, a company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
“%”	per cent.
“sq.m.”	square meter

For ease of reference and unless otherwise specified in this circular, the conversion rate of HK\$ to RMB is set at the rate of RMB0.88 for HK\$1.00. This does not mean that the above mentioned currency has been, could have been or may be converted at such exchange rate.

In case of any inconsistency between the English text and the Chinese text of this circular, the English text shall prevail.



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)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)

Ms. Cheung Choi Ngor

*(Vice Chairman and
Co-Chief Executive Officer)*

Mr. Ng Yuk Yeung Paul

*(Executive Vice Chairman and
Co-Chief Executive Officer)*

Registered office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman, KY1-1205

Cayman Islands

Non-executive Directors:

Ms. Ng Yuk Mui Jessica

Mr. Ng Yuk Fung Peter

Mr. David Michael Norman

Ms. Li Yuen Yu Alice

**Head Office and Principal Place of
Business in Hong Kong:**

28th Floor

Bank of China Tower

1 Garden Road

Central

Hong Kong

Independent Non-executive Directors:

Mrs. Tse Wong Siu Yin Elizabeth

Mr. Kam Yiu Shing Tony

Ms. Pong Scarlett Oi Lan, BBS, J.P.

Mr. Wong Chun Tat, J.P.

16 December 2022

To the Shareholders

Dear Sir and Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF
ENTIRE ISSUED SHARE CAPITAL OF GENIUS YEAR LIMITED
AND**

(2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

References are made to the joint announcement of the Company and SCFH dated 13 September 2022 and the announcements of the Company dated 28 September 2022, 31 October 2022 and 25 November 2022 in relation to, among other things, the Sale and

LETTER FROM THE BOARD

Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion).

The Board announced that on 13 September 2022 (after trading hours), Thousand China (an indirect wholly-owned subsidiary of the Company) and Power Path (a wholly-owned subsidiary of SCFH) entered into the Sale and Purchase Agreement, pursuant to which Thousand China has conditionally agreed to dispose of the Genius Year Share to Power Path; and Power Path has conditionally agreed to purchase the Genius Year Share, at a total consideration of HK\$89,840,000 which is to be settled by way of the Convertible Bonds to be issued by SCFH upon Completion. Details of the Sale and Purchase Agreement are set out in the section headed “The Sale and Purchase Agreement” hereinbelow.

The purposes of this circular are to provide you with, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of, among other things, the Sale and Purchase Agreement and the transaction contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion); (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of, among other things, the Sale and Purchase Agreement and the transaction contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion); (iv) the valuation report of the Genius Year Sites; and (v) the notice convening the EGM.

THE SALE AND PURCHASE AGREEMENT

Date: 13 September 2022

Vendor: Thousand China

Purchaser: Power Path

As at the Latest Practicable Date, Mr. Ng, the chairman of the board of directors and an executive director and a substantial shareholder of each of the Company and SCFH, had interests in Power Path, a wholly-owned subsidiary of SCFH.

Sale and purchase of the Genius Year Share

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Genius Year Share in accordance with the terms and subject to the conditions thereof.

LETTER FROM THE BOARD

Consideration

The total consideration for the Genius Year Share shall be a sum of HK\$89,840,000 which is to be settled by the Convertible Bonds to be issued by SCFH upon Completion.

Particulars of the Convertible Bonds are set out in the section headed “The Convertible Bonds” hereinbelow.

Basis of the Consideration

The Consideration of HK\$89,840,000 in respect of the Genius Year Share was determined by amicable negotiations between the Vendor and the Purchaser on an arm’s length basis with reference to, including without limitation, the adjusted net asset value of the Genius Year Group as at 30 June 2022 of approximately HK\$12,280,000 (being (i) the net asset value of the Genius Year Group as at 30 June 2022 of approximately HK\$11,790,000); and (ii) the elimination of the right of use of assets of approximately HK\$3,660,000 and lease liability of approximately HK\$4,150,000 which arising from the land use right of certain farm lands to be assigned to a fellow subsidiary in fourth quarter of 2022) and the preliminary land valuation of the Genius Year Sites as at 31 August 2022 of approximately RMB78,400,000 (equivalent to approximately HK\$89,090,000). The Consideration equals to the adjusted net asset value of the Genius Year Group, being (i) the net asset value of the Genius Year Group as at 30 June 2022 of approximately HK\$11,790,000; (ii) the elimination of the right of use of assets of approximately HK\$3,660,000 and lease liability of approximately HK\$4,150,000 which arising from the land use right of certain farm lands to be assigned to a fellow subsidiary in fourth quarter of 2022; and (iii) the appreciated value of the Genius Year Sites of approximately HK\$77,560,000 (which is equivalent to the difference between the preliminary land valuation of the Genius Year Sites as at 31 August 2022 of approximately HK\$89,090,000 and the book value of the Genius Year Sites as at 30 June 2022 of approximately HK\$11,530,000).

The Directors (including the independent non-executive Directors who have taken into account of the advice of the Independent Financial Adviser) consider that the Consideration is fair and reasonable.

Conditions precedent

Completion is conditional upon the fulfillment of the following conditions:

- (a) the Purchaser having completed its due diligence investigation in the Genius Year Group and the Genius Year Sites, and the Purchaser being satisfied with the results of the due diligence investigation;
- (b) there having been no material breach of the Vendor’s warranties set out in the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement up to and inclusive of the Completion Date;
- (c) no material adverse change on the operation of the Genius Year Group from the date of the Sale and Purchase Agreement up to and inclusive of the Completion Date;

LETTER FROM THE BOARD

- (d) the granting of the approval for the listing of, and permission to deal in, the Conversion Shares by the Listing Committee (whether subject to conditions or not); and
- (e) the approval by the Independent Shareholders at the EGM approving the execution and performance of the Sale and Purchase Agreement and other transaction documents (including the terms and conditions of the Convertible Bonds) and the transactions contemplated thereunder.

None of the conditions set out above can be waived by either party. If any of the above conditions 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 (and for the avoidance of doubt, each of the Vendor and the Purchaser shall have no further claim of whatsoever nature against the other).

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion

Completion shall take place at the principal place of business of the Purchaser at 10:00 a.m. (or at such other place or on such other time as the Vendor and the Purchaser may agree) on the Completion Date.

Upon Completion, the Genius Year Group will cease to be the subsidiaries of the Company.

THE CONVERTIBLE BONDS

Pursuant to the Sale and Purchase Agreement, the consideration for the Genius Year Share shall be satisfied by the issuance of the Convertible Bonds by SCFH to the Vendor.

The principal terms of the Convertible Bonds are as follows:

Issuer:	SCFH
Principal amount:	HK\$89,840,000
Issue Price:	100% of the principal amount of the Convertible Bonds
Interest:	1% per annum

LETTER FROM THE BOARD

- Conversion Price: HK\$0.32 per Conversion Share, which is subject to adjustments for, among other matters, consolidation, reduction or sub-division of the shares of SCFH, capitalisation of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the shares of SCFH, but no adjustment shall be made for, among other matters, the issue of the Convertible Bonds; the issue and allotment of any Conversion Shares upon the exercise of the Conversion Rights attached to the Convertible Bonds; the grant of any options or the issue and allotment of any shares of SCFH pursuant to the exercise of any options granted under the share option scheme of SCFH; and the issue and allotment of shares of SCFH to the public and/or any shareholder of SCFH for fund raising purposes.
- Maturity date: the date falling on three (3) years from the date of issue of the Convertible Bonds.
- Redemption: SCFH may redeem any Convertible Bonds at any time which remain outstanding before 5:00 p.m. (Hong Kong time) on the maturity date at its principal amount.
- Conversion rights: subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall have the right to convert the Convertible Bonds into the shares of SCFH subject to mutual agreement in writing between the Bondholder(s) and SCFH at any time during the period commencing from the date of issue of the Convertible Bonds up to 5:00 p.m. (Hong Kong time) on the fifth (5th) Business Days prior to the maturity date by complying with the relevant procedures set out in the terms and conditions of the Convertible Bonds.
- Transferability: the Convertible Bonds shall be transferrable to any other person provided that the Convertible Bonds are not to be transferred to a connected person (as defined in the Listing Rules) of SCFH and such transfer shall comply with the requirements under the Listing Rules and/or any other requirements imposed by the Stock Exchange (if any).

LETTER FROM THE BOARD

Status: the Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of SCFH and shall at all times rank *pari passu* and without any preference or priority among themselves, and the payment obligations of SCFH shall, save for such exceptions as may be provided by mandatory provisions of the applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of SCFH.

Voting rights: the Convertible Bonds do not confer any right to the Bondholder(s) to attend or vote at any shareholders' meeting of SCFH.

CONVERSION SHARES

A total of 280,750,000 Conversion Shares will be issued to the Bondholder(s) upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.32 per Conversion Share. Each of the Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the shares of SCFH in issue on the effective date of conversion of the Convertible Bonds (as defined in the terms and conditions of the Convertible Bonds) as if the Conversion Shares issued on conversion had been issued on such date. Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall not be entitled to any rights attaching to it prior to the relevant conversion date.

The initial Conversion Price of HK\$0.32 per Conversion Share (which is subject to adjustment(s) pursuant to the terms and conditions of the Convertible Bonds) represents:

- (a) the closing price of HK\$0.32 of a share of SCFH quoted on the Stock Exchange on 13 September 2022, being the date of the Sale and Purchase Agreement;
- (b) a premium of approximately 0.63% to the average closing price of approximately HK\$0.318 of a share of SCFH quoted on the Stock Exchange over the last five (5) consecutive trading days prior to the date of the Sale and Purchase Agreement;
- (c) a premium of approximately 14.29% to the closing price of HK\$0.28 of a share of SCFH as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a discount of approximately 76.4% to the unaudited consolidated net asset value per share of SCFH of approximately HK\$1.356 (based on the unaudited consolidated statement of the financial position of SCFH as at 30 June 2022 and the number of shares of SCFH in issue as at the Latest Practicable Date).

The Conversion Price was arrived at arm's length negotiations between the Company and the Vendor and equaled to the closing price of the shares of SCFH quoted on the Stock Exchange on the date of the Sale and Purchase Agreement.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors who have taken into account of the advice of the Independent Financial Adviser) consider that the Conversion Price is fair and reasonable.

EFFECT ON THE SHAREHOLDING STRUCTURE OF SCFH

Assuming that there is no change in the shares of SCFH from the Latest Practicable Date, the shareholding structure of SCFH (i) as at the Latest Practicable Date; and (ii) after Completion and assuming full conversion of the Convertible Bonds at the Conversion Price will be as follows:

	As at the Latest Practicable Date		After Completion and assuming full conversion of Convertible Bonds at the Conversion Price	
	<i>No. of the shares of SCFH</i>	<i>%</i>	<i>No. of the shares of SCFH</i>	<i>%</i>
Uni-Spark	7,178,761	2.38%	7,178,761	1.23%
Fung Shing	23,526,030	7.81%	23,526,030	4.04%
Parkfield	44,623,680	14.81%	44,623,680	7.67%
Ronastar	1,999,872	0.67%	1,999,872	0.34%
Mr. Ng	11,609,264	3.85%	11,609,264	1.99%
The Vendor	—	0.00%	280,750,000	48.24%
Mr. Ng and his close associates	88,937,607	29.52%	369,687,607	63.51%
Mr. Paul Ng	12,198,000	4.05%	12,198,000	2.10%
Ms. Cheung	13,598,311	4.51%	13,598,311	2.34%
Mr. Richard Howard Gorges	5,000,000	1.66%	5,000,000	0.86%
Parties acting in concert (Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Richard Howard Gorges)	119,733,918	39.74%	400,483,918	68.81%
Hon. Raymond Arthur William Sears, K.C.	53,000	0.02%	53,000	0.01%
Public Shareholders	181,490,152	60.24%	181,490,152	31.18%
Total	<u>301,277,070</u>	<u>100.00%</u>	<u>582,027,070</u>	<u>100.00%</u>

It is expected that SCFH will be able to maintain its public float following the full conversion of the Convertible Bonds.

LETTER FROM THE BOARD

For illustrative purpose only, the maximum number of Conversion Shares to be issued upon exercise of the conversion rights of the Convertible Bonds would be approximately 2,042,000 assuming there is no mandatory general offer being triggered by the Vendor under the Takeovers Code.

The Independent Shareholders should note that the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of shares issuable by SCFH which would not result in (i) a breach of the public float requirement under the Listing Rules; and (ii) a mandatory general offer being triggered under the Takeovers Code, and the balance number of the Conversion Shares attaching to the Convertible Bonds will not be issued until (i) SCFH is able to comply with the aforesaid issues of public float and mandatory general offer; or (ii) a general offer is made by such Bondholder and parties acting in concert with it respectively if a mandatory offer is triggered; or (iii) a whitewash waiver is approved and granted by the SFC if a mandatory offer is triggered (as the case may be).

REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE OF THE GENIUS YEAR SHARE

The Company is an investment holding company. The Group's principal subsidiaries are engaged in trading and manufacturing (including OEM toys production, trading of footwear products and sales of branded ball products), property investment and development, and agriculture and forestry businesses. As at the Latest Practicable Date, Mr. Ng and his associates held approximately 68.80% of the total issued share capital of the Company.

Genius Year was established by the Company in 2008 and the investment costs (including the acquisition cost of the land use rights of the Gangyang Sites and the Huafeng Sites which amounted to approximately RMB10.88 million) for Genius Year was appropriately HK\$36,538,000 up to the Latest Practicable Date. The original plan on the Genius Year Sites was to increase the Group's land bank for its agricultural and forestry business. However, the overall contribution (in terms of revenue) of agricultural and forestry business in the past 10 years was extremely low to the Group and hence the Genius Year Sites (as originally planned as land bank with no concrete development plan) has yet been utilized up to the Latest Practicable Date. In the past 10 years, the financial performance of (1) trading and manufacturing business and (2) the property development and investment business were strong and therefore it was the Group's business strategies to focus its resources on these two segments which enabled the Group to capture the upside of the global economy. As at the Latest Practicable Date, the business strategies of the Group remains unchanged and there is no concrete development plan for the agricultural and forestry business. In view of (i) no income has been generated from the Genius Year Group in the last 10 years; and (ii) the Directors believe that it is unlikely for the Genius Year Group to contribute positively to the profitability of the Company in short and medium term given the Group will focus on property development and toys manufacturing, the Company considers the sale of the Genius Year Share will be a good opportunity for the Company to unlock the fair value for its Shareholders by realising a gain as a result of the sale of the Genius Year Share.

LETTER FROM THE BOARD

In view of (1) there is no other potential purchaser which is willing to acquire the Genius Year Sites in cash or other instruments under the current worsening economy; (2) the Purchaser is the only potential purchaser which showed its interest to acquire the Genius Year Sites; (3) other settlements of the Consideration (e.g. by cash or the issue of new shares of SCFH) is not viable to the Vendor due to the financial position of SCFH or the immediate dilution to the shareholders of SCFH; (4) the sale of the Genius Year Share could unlock the fair value of the Genius Year Sites by realizing a gain on disposal; (5) the interest income to be generated by the Convertible Bonds as comparing to no income would be generated by the Genius Year Group assuming no further resource could be allocated; (6) the Convertible Bonds would provide the flexibility to the Company to either (i) hold the Convertible Bonds to its maturity; or (ii) convert into the shares of SCFH to capture the upside in the event that the market price of the shares of SCFH goes up, the Directors consider that the settlement of the Consideration by way of the issue of Convertible Bonds is fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

SCFH and its principal subsidiaries are engaged in broking, margin financing and money lending, asset and wealth management, corporate advisory and underwriting, trading and investment, media publications and financial public relation services, property investment and sale of jewellery products. Given the downward trend of SCFH's shares in the recent years, the Directors consider that (1) the Company could hold the Convertible Bonds to its maturity in case the market price of SCFH shares falls below the Conversion Price; or (2) the Convertible Bonds will give the Company an opportunity to benefit from the growth of SCFH and its subsidiaries in the future and that is a valuable opportunity for the Company to obtain a substantial interest in SCFH at a reasonable price. Based on the above reasons, the Directors are of the view that the Convertible Bonds are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

By taking into account of the benefits resulting from the sale of the Genius Year Share as mentioned above, the Directors (including the independent non-executive Directors who have taken into account of the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In the event that SCFH redeems the Convertible Bonds pursuant to the terms and conditions of the Convertible Bonds, the Company intends to use the proceeds as general working capital.

Mr. Ng is considered to have material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder given he and his associates are ultimate beneficial owners of the Purchaser and the Vendor by virtue of the substantial shareholder status in the Company and SCFH and his common directorship in the Company and SCFH. As such, Mr. Ng has abstained from voting on the Board resolutions approving the Sale and Purchase Agreement. Ms. Cheung, Ms. Jessica Ng and Mrs. Tse Wong Siu Yin Elizabeth are directors of both the Company and SCFH, therefore, they are considered to have material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder by virtue of their common directorship. As such, Ms. Cheung, Ms. Jessica Ng and Mrs. Tse Wong Siu Yin Elizabeth have abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

INFORMATION OF SCFH

SCFH is an investment holding company. Its principal subsidiaries are engaged in broking, margin financing and money lending, asset and wealth management, corporate advisory and underwriting, trading and investment, media publications and financial public relation services, property investment and sale of jewellery products. As at the Latest Practicable Date, Mr. Ng and his associates (including Mr. Paul Ng) held approximately 33.57% of the total issued share capital of SCFH.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI, whose principal business is investment holding. As at the Latest Practicable Date, the Purchaser was a wholly-owned subsidiary of SCFH, therefore, Mr. Ng and his associates were the ultimate beneficial owners of the Purchaser.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the BVI, whose principal business is investment holding. As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of the Company, therefore, Mr. Ng and his associates were the ultimate beneficial owners of the Vendor.

INFORMATION OF THE GENIUS YEAR GROUP

Genius Year is a company incorporated in the BVI, whose principal business is investment holding. It is a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date.

Wealthy Key is a company incorporated in Hong Kong, whose principal business is investment holding. It is a wholly-owned subsidiary of Genius Year as at the Latest Practicable Date.

Gangyang is a company incorporated in the PRC and is a wholly-owned subsidiary of Wealthy Key as at the Latest Practicable Date. Gangyang currently holds the Gangyang Sites.

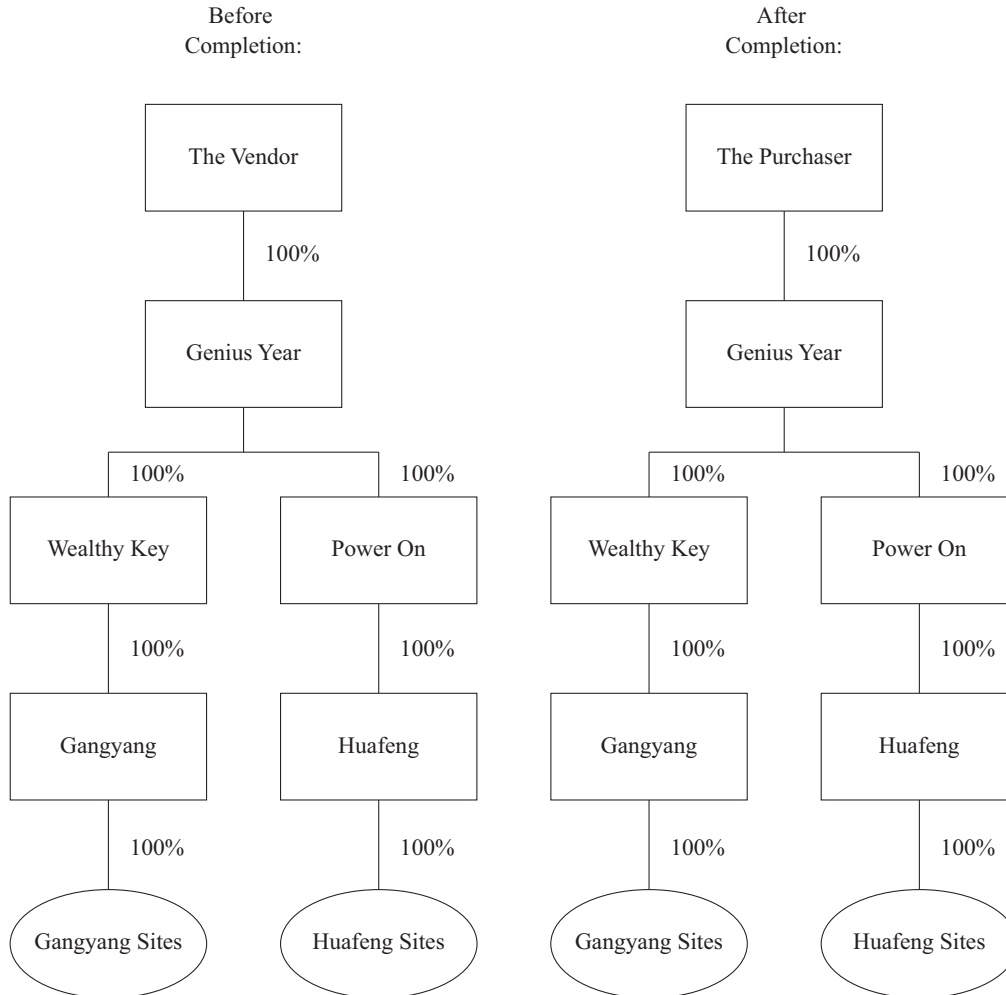
Power On is a company incorporated in Hong Kong, whose principal business is investment holding. It is a wholly-owned subsidiary of Genius Year as at the Latest Practicable Date.

Huafeng is a company incorporated in the PRC and is a wholly-owned subsidiary of Power On as at the Latest Practicable Date. Huafeng currently holds the Huafeng Sites.

LETTER FROM THE BOARD

The group structure of the Genius Year Group

The shareholding structures of the Genius Year Group (a) before Completion; and (b) after Completion are as follows:



The basic information of the Gangyang Sites is as follows:

Total number of sites: 16

Total area: 80,006 mu (approximately 53 million sq.m.)

The Gangyang Sites are woods and mainly located in Chongyang County, Xianning City, Hubei Province, the PRC. Gangyang holds title to each of the Gangyang Sites.

LETTER FROM THE BOARD

The basic information of the Huafeng Sites is as follows:

Total number of sites: 12

Total area: 59,209 mu (approximately 39 million sq.m.)

The Huafeng Sites are woods and mainly located in Chongyang County, Xianning City, Hubei Province, the PRC. Huafeng holds title to each of the Huafeng Sites.

Financial information of the Genius Year Group

Based on the consolidated financial accounts of the Genius Year Group as at 30 June 2022, the total assets were approximately HK\$15,990,000 and net assets were approximately HK\$11,790,000.

The consolidated net losses before taxation and after taxation for the two (2) years ended 31 December 2021, i.e. the two (2) financial years prior to the Latest Practicable Date, are as follows:

	Year ended 31 December	
	2020	2021
	HK\$'000	HK\$'000
	(approx.)	(approx.)
Consolidated loss before taxation	1,142	1,190
Consolidated loss after taxation	1,142	1,190

FINANCIAL EFFECTS OF THE SALE OF THE GENIUS YEAR SHARE

It is estimated that, as a result of the sale of the Genius Year Share, the Company will recognise an estimated gain of approximately HK\$78,050,000, which is calculated based on the difference between the consideration of HK\$89,840,000 and the net assets of the Genius Year Group as at 30 June 2022 of approximately HK\$11,790,000. The exact amount of gain on the sale of the Genius Year Share to be recorded in the consolidated financial statement of the Group will be calculated based on the net book value of the Genius Year Group at Completion, net of any incidental expenses, and therefore may differ from the estimated amount of gain set out above.

Following the Completion, the Genius Year Group will cease to be the subsidiaries of the Company.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Ng and his associates held approximately 68.80% of the total issued share capital of the Company and approximately 33.57% of the total issued share capital of SCFH, therefore, each of the Company and SCFH is an associate of Mr. Ng. Accordingly, the transactions contemplated under the Sale and Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that one of the highest of the applicable percentage ratios in respect of the sale of the Genius Year Share under the Sale and Purchase Agreement are more than 5%, but less than 25%, it constitutes a (i) discloseable transaction of the Company, which is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transaction of the Company, which is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the transactions contemplated under the Sale and Purchase Agreement constitute connected transactions for the Company and SCFH, Mr. Ng and his associates (namely, Ms. Ng, Ms. Jessica Ng, Mr. Peter Ng, Mr. Paul Ng, Fung Shing, Parkfield, Eartrade, Bannock, Crystal Hub and Green Orient) and Ms. Cheung (a common director of the Company and SCFH), held approximately 69.12% of the total issued share capital of the Company as at the Latest Practicable Date, have a material interest in such transactions, who will be required to abstain from voting on the resolution(s) to approve the transactions at the EGM.

EGM

A notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 11 January 2023 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion).

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, the share registrar and transfer office of the Company, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising three of the four independent non-executive Directors, namely Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P. (another Mrs. Tse Wong Siu Yin Elizabeth who is also an independent non-executive director of SCFH, was not elected as a member of the Independent Board Committee for the purpose of maintain the independence), has been formed to advise the Independent Shareholders in respect of, among other things, as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion) are fair and reasonable and how to vote in respect of the resolution to be proposed at the EGM for approving the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion) after taking into account of the recommendation of the Independent Financial Adviser. The Shareholders' attention is drawn to the letter from the Independent Board Committee set out on pages 21 and 22 of this circular which contains the recommendation to the Independent Shareholders as to voting at the EGM regarding the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion).

The Shareholders' attention is also drawn to the letter from Independent Financial Adviser set out on pages 23 to 38 of this circular which contains the advice to the Independent Board Committee and the Independent Shareholders regarding the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion).

The Directors (including members of the Independent Board Committee, who have taken into account the advice of the Independent Financial Adviser) consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including members of the Independent Board Committee, who have taken into account the advice of the Independent Financial Adviser) recommended the Independent Shareholders to vote in favour of the proposed resolution approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion).

Yours faithfully
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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Sale and Purchase Agreement and all transactions as contemplated thereunder, for the purpose of inclusion in this circular.



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)

16 December 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF GENIUS YEAR LIMITED

We refer to the circular issued by the Company dated 16 December 2022 (the “**Circular**”) to the Shareholders of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion), details of which are set out in the “Letter from the Board” contained in the Circular.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Details of the advice and the principal factors and reasons from the Independent Financial Adviser has taken into consideration in giving such advice, are set out in the “Letter from the Independent Financial Adviser” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information as set out in the appendix thereto.

After taking the advice of the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued by SCFH to settle the Consideration upon Completion) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

We, therefore, recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Kam Yiu Shing Tony	Ms. Pong Scarlett Oi Lan, BBS, J.P.	Mr. Wong Chun Tat, J.P.
<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders dated 16 December 2022 in respect of, inter alia, the Sale and Purchase Agreement and the transactions contemplated thereunder prepared for the purpose of inclusion in this circular.



801–805, 8/F, Nan Fung Tower,
88 Connaught Road Central,
Hong Kong

16 December 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF GENIUS YEAR LIMITED

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 16 December 2022 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, on 13 September 2022, Thousand China (an indirect wholly-owned subsidiary of the Company) and Power Path (a wholly-owned subsidiary of SCFH) entered into the Sale and Purchase Agreement, pursuant to which Thousand China has conditionally agreed to dispose of the Genius Year Share to Power Path and Power Path has conditionally agreed to purchase the Genius Year Share, at a total consideration of HK\$89,840,000 which is to be settled by way of the Convertible Bonds to be issued by SCFH upon Completion (the “**Proposed Disposal**”).

As at the Latest Practicable Date, Mr. Ng and his associates held approximately 68.80% of the total issued share capital of the Company and approximately 33.57% of the total issued share capital of SCFH, therefore, each of the Company and SCFH is an associate of Mr. Ng. Accordingly, the transactions contemplated under the Sale and Purchase Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules which is subject to Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not connected with the Directors, chief executive and substantial shareholders of the Company, Mr. Ng and SCFH or any of their respective subsidiaries or their respective associates and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, there had been no other engagement entered into between the Company or Mr. Ng or SCFH and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the Directors, chief executive and substantial shareholders of the Company, Mr. Ng and SCFH or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussions with the Directors and management of the Company regarding the Group and the Sale and Purchase Agreement including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, SCFH and their respective associates nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE PROPOSED DISPOSAL

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Disposal, we have taken into account the following principal factors and reasons:

I. Background of and reasons for the Proposal Disposal

1. Principal activities and business of the Group

The Group is principally engaged in trading and manufacturing (including OEM toys production, trading of footwear products and sales of branded ball products), property investment and development, and agriculture and forestry businesses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the three financial years ended 31 December 2019, 2020 and 2021 (“**FY2019**”, “**FY2020**” and “**FY2021**”) and the six months ended 30 June 2021 and 2022 (“**HY2021**” and “**HY2022**”) as extracted from the annual reports of the Company for the year ended 31 December 2020 and 2021 (the “**FY2020 Annual Report**” and the “**FY2021 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2022 (the “**Interim Report**”), respectively:

	FY2019	FY2020	FY2021	HY2021	HY2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
— Trading and manufacturing	4,176,217	3,223,868	4,314,040	1,551,503	2,014,946
— Property investment and development	220,104	848,954	408,213	186,089	184,657
— Agriculture and Forestry	14,117	13,423	2,656	414	77
Total Revenue	4,410,438	4,086,245	4,724,909	1,738,006	2,199,680
Gross profit	707,537	530,913	535,415	189,475	303,644
Profit/(Loss) for the year/period	556,463	65,382	33,076	(109,216)	37,731

Source: FY2020 Annual Report, FY2021 Annual Report and Interim Report

The revenue of the Group was contributed by three segments, namely, trading and manufacturing segment, the property investment and development segment and the agriculture and forestry segment. The Group recorded revenue of approximately HK\$4,410.4 million, approximately HK\$4,086.2 million and approximately HK\$4,724.9 million for FY2019, FY2020 and FY2021, respectively. The decrease in revenue in FY2020 of approximately HK\$324.2 million was mainly contributed by the decrease in revenue from the trading and manufacturing segment of approximately HK\$952.3 million as a result of the outbreak of the COVID-19 pandemic which reduced the Group’s customer orders. Such decrease in revenue in FY2020 was partly offset by the increase in sales of the Group’s completed properties in Mainland China of approximately HK\$633.0 million recorded in the property investment and development segment.

The increase in revenue in FY2021 of approximately HK\$638.7 million was mainly contributed by the increase in the revenue contribution from trading and manufacturing segment of approximately HK\$1,090.2 million as the toy orders from key customers of the Group in the USA and other countries have returned back to the level in FY2019 since the economies and market consumption in these markets have gradually improved in FY2021. Such increase in revenue in FY2021 was partly offset by the decrease in sales of the Group’s completed properties in Mainland China of approximately HK\$458.4 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group in HY2022 has continued to show improvements with increase in revenue of approximately HK\$461.7 million from HK\$1,738.0 million in HY2021 to HK\$2,199.7 million in HY2022 which was mainly attributable to the improvement in revenue from trading and manufacturing segment due to the improvements in the economies and market consumption in the USA and other countries. The revenue contributed by the Group's agriculture and forestry segment was minimal in the three years ended 31 December 2021 and in both HY2021 and HY2022, contributing less than 1% of the Group's revenue in the respective years and periods.

The decrease in the net profit attributable to Shareholders from approximately HK\$556.5 million for FY2019 to approximately HK\$65.4 million for FY2020 was mainly attributable to the decrease in net fair value gain on properties transfer and investment properties in respect of the Group's property development projects by approximately HK\$711.0 million as the Group recorded a significant one-off fair value gain of approximately HK\$773.7 million in FY2019 upon the transfer of the investment properties portion of a property development project in Shenyang, Mainland China, from properties under development to investment properties while there was no such fair value gain in FY2020. Such impact on the net profit attributable to Shareholders was partly offset by the decrease in administrative expenses of the Group by approximately HK\$171.9 million attributable to decrease in salaries and wages amid the significant impact from the COVID-19 pandemic.

The net profit for the year attributable to Shareholders further decreased from approximately HK\$65.4 million for FY2020 to approximately HK\$33.1 million for FY2021. Such decrease was mainly attributable to (i) the decrease in net fair value gain on investment properties of approximately HK\$25.5 million; and (ii) the increase in administrative expenses by approximately HK\$77.1 million mainly attributable to the increase in salaries and wages; partly offset by the increase in other income and gains of approximately HK\$48.6 million mainly as a result of the write-back of other payables.

The Group recorded net profit attributable to Shareholders for HY2022 of approximately HK\$37.7 million as compared to net loss of approximately HK\$109.2 million for HY2021. Such turnaround was mainly due to the increase in gross profit of approximately HK\$114.2 million as a result of improvement in profit margin benefited from lower production cost and decrease in administrative expenses of approximately HK\$32.4 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the summary of the audited consolidated statement of financial position of the Group as at 31 December 2021 and the unaudited condensed consolidated statement of financial position as at 30 June 2022 extracted from the FY2021 Annual Report and Interim Report:

	31 December 2021	30 June 2022
	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	648,292	582,303
Investment properties	10,231,393	9,933,919
Other non-current assets	<u>175,401</u>	<u>162,289</u>
Non-current assets	11,055,086	10,678,511
Cash and cash equivalent	622,497	653,918
Other current assets	<u>3,937,407</u>	<u>4,018,304</u>
Current assets	4,559,904	4,672,222
Total assets	<u><u>15,614,990</u></u>	<u><u>15,350,733</u></u>
Interest-bearing bank borrowings	2,040,470	2,195,614
Other current liabilities	<u>1,917,405</u>	<u>1,968,036</u>
Current liabilities	3,957,875	4,163,650
Interest-bearing bank borrowings	2,482,400	2,380,309
Other non-current liabilities	<u>2,277,120</u>	<u>2,177,776</u>
Non-current liabilities	4,759,520	4,558,085
Total liabilities	<u><u>8,717,395</u></u>	<u><u>8,721,735</u></u>
Net current assets	602,029	508,572
Net assets	6,897,595	6,628,998
Equity attributable to equity shareholders of the Company	6,553,631	6,315,983
Gearing ratio (<i>Note</i>)	36.0%	35.9%

Note: The gearing ratio is calculated by dividing the Group's total long-term bank borrowings by the Group's total equity

Source: FY2021 Annual Report and Interim Report

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The total assets of the Group were approximately HK\$15,615.0 million and HK\$15,350.7 million as at 31 December 2021 and 30 June 2022, respectively. The total assets remained steady with the major assets of the Group comprised of investment properties of HK\$10,231.4 million and HK\$9,933.9 million as at 31 December 2021 and 30 June 2022 respectively in relation to the Group's property investment portfolio in Nanjing, Shenyang and Tianjin in Mainland China and in Hong Kong. Other current assets of the Group mainly comprised inventories and prepayments, deposits and other receivables which remained relatively stable as at 31 December 2021 and 30 June 2022.

The total liabilities of the Group were approximately HK\$8,717.4 million and HK\$8,721 million respectively as at 31 December 2021 and 30 June 2022 with the major liabilities of the Group comprised interest-bearing bank borrowings which amounted to approximately HK\$4,522.9 million and HK\$4,575.9 million as at 31 December 2021 and 30 June 2022 respectively. The total liabilities of the Group remained stable as at 31 December 2021 and as at 30 June 2022 while the gearing ratio of the Group as at 31 December 2021 and 30 June 2022 remained stable at 36.0% and 35.9% respectively. The financial position of the Group remained healthy amid the impact of the COVID-19 pandemic with consolidated net assets of the Group decreased slightly by approximately 3.9% from approximately HK\$6,897.6 million as at 31 December 2021 to approximately HK\$6,629.0 million as at 30 June 2022.

2. Principal activities and business of the Genius Year Group

Genius Year is a company incorporated in the BVI and its principal business is investment holding. The principal assets of Genius Year Group are its investments in two parcels of forestry land in the PRC, namely Gangyang Sites and Huafeng Sites, which are 100% owned by Genius Year through its wholly-owned subsidiaries. The Gangyang Sites are woods mainly located in Chongyang County, Xianning City, Hubei Province, the PRC which consists of 16 sites occupying 80,006 mu (approximately 53 million sq.m.) of land. The Huafeng Sites are woods located in Chongyang County, Xianning City, Hubei Province which consists of 12 sites occupying 59,209 mu (approximately 39 million sq.m.) of land.

According to the audited consolidated financial statements of the Genius Year Group as at 30 June 2022, the consolidated total assets and net assets of Genius Year Group were approximately HK\$16.0 million and approximately HK\$11.8 million respectively and it recorded consolidated net losses after taxation of approximately HK\$1.1 million and HK\$1.2 million for the years ended 31 December 2020 and 2021 respectively.

3. *Reasons for and benefits of the Proposed Disposal*

The Group is principally engaged in trading and manufacturing (including OEM toys production, trading of footwear products and sales of branded ball products), property investment and development, and agriculture and forestry businesses.

As set out in the Letter from the Board, Genius Year was established by the Company in 2008 and the investment costs (including the acquisition cost of the land use rights of the Gangyang Sites and the Huafeng Sites which amounted to approximately RMB10.88 million) for Genius Year was approximately HK\$36,538,000 up to the Latest Practicable Date. The original plan on the Genius Year Sites was to increase the Group's land bank for its agricultural and forestry business. However, the overall contribution (in terms of revenue) of agricultural and forestry business in the past 10 years was extremely low to the Group and hence the Genius Year Sites (as originally planned as land bank with no concrete development plan) has yet been utilized up to the Latest Practicable Date. In the past 10 years, the financial performance of (i) trading and manufacturing business and (ii) the property development and investment business were strong and therefore it was the Group's business strategies to focus its resources on these two segments which enabled the Group to capture the upside of the global economy. As at the Latest Practicable Date, the business strategies of the Group remains unchanged and there is no concrete development plan for the agricultural and forestry business. Thus, no income has been generated from the Genius Year Group in the last 10 years.

As mentioned above, the Group has been focusing on its resources on toys manufacturing and property development businesses with sizeable revenue and net profit generated from these two segments in FY2021 and in HY2022, particularly with the improvement in revenue generated from toys manufacturing businesses in FY2021 which returned to the level of revenue in FY2019 before the impact of COVID-19 pandemic. In addition, as mentioned in the FY2021 Annual Report, the Group continues to focus on the development of its flag-ship property project in Shenyang, namely Central Square and the Group is cautiously optimistic on the sales of residential units of its Central Square in the year onwards.

Based on the above, the Group considered that since (i) no income has been generated from the Genius Year Group in the last 10 years; and (ii) the Group will focus its current business strategies on property development and toys manufacturing businesses, it is unlikely for the Genius Year Group to contribute positively to the profitability of the Group in short and medium term, the Proposed Disposal represents a good opportunity for the Company to unlock the potential value of Genius Year and the Genius Year Sites by disposing of the Genius Year Share at the consideration of HK\$89,840,000, resulting in an estimated gain on disposal of approximately HK\$78,050,000.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon completion of the Proposed Disposal, the Genius Year Share will be transferred to SCFH and the Group would receive the Convertible Bonds for settlement of the Consideration. In view of (i) there is no other potential purchaser which is willing to acquire the Genius Year Sites in cash or other instruments under the current worsening economy; (ii) the Purchaser is the only potential purchaser which showed its interest to acquire the Genius Year Sites; (iii) other ways of settlement of the Consideration (e.g. by cash or the issue of new shares of SCFH) is not viable to the Vendor due to the financial position of SCFH or the immediate dilution to the shareholders of SCFH; (iv) the sale of the Genius Year Share could unlock the fair value of the Genius Year Sites by realizing a gain on disposal; (v) the interest income to be generated by the Convertible Bonds while no income would be generated by the Genius Year Group assuming no further resource could be allocated to the Genius Year Sites; (vi) the Convertible Bonds would provide the flexibility to the Company to either (1) hold the Convertible Bonds to its maturity; or (2) convert into the shares of SCFH to capture the upside in the event that the market price of the shares of SCFH goes up, the Directors consider that the settlement of the Consideration by way of issue of Convertible Bonds is fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

Having considered that (i) the Convertible Bonds have a tenure of three years bearing interest of 1% per annum which could provide the Group with a stable interest income; (ii) the future development of the Genius Year Sites and the launching of its planned commercial use by SCFH could enhance the value of SCFH, which would increase the value of the underlying shares of SCFH of the Convertible Bonds, thereby increasing the value of the Convertible Bonds; (iii) holding the Convertible Bonds could offer flexibility to the Group in its investment in SCFH as the Group could exercise the conversion rights since the date of issue of the Convertible Bonds and the Group could opt for the investments in SCFH when the value of its shares grows in future; and (iv) even the share price of SCFH's shares is in downward trend in the recent years, the Group could retain the Convertible Bonds until its maturity and redeem the principle amounts while earning the interest income during its tenure, we concur with the Directors that the settlement of the Consideration by way of issue of Convertible Bonds is fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

Having considered the above, we are of the view that the Proposed Disposal is in line with the overall strategy of the Group, and is in interests of the Company and Shareholders as a whole.

II. Principal terms of the Proposed Disposal

1. Consideration

Pursuant to the Sale and Purchase Agreement, the consideration for the Genius Year Share shall be a sum of HK\$89,840,000 which is to be settled by the Convertible Bonds to be issued by SCFH upon Completion. As set out in the Letter from the Board, the Consideration was determined after arm's length negotiation between Genius Year and the Company with reference to the net asset value of the Genius Year Group as at 30 June 2022 and the preliminary land valuation of the Genius Year Sites, as at 31 August 2022 of approximately RMB78,400,000 (equivalent to approximately HK\$89,090,000) (the "**Land Valuation**"), being the principal assets of the Genius Year Group, according to the Valuation Report prepared by Ravia Global Appraisal Advisory Limited (the "**Independent Valuer**") using direct comparison approach.

The Consideration equals to the adjusted net asset value of the Genius Year Group as at 30 June 2022 of approximately HK\$89,840,000 (the "**Adjusted NAV**"), being the consolidated net asset value of the Genius Year as at 30 June 2022 of approximately HK\$11,790,000 after adjusting for (i) the land value appreciation of the Genius Year Sites of approximately HK\$77,560,000 (which is equivalent to the difference between the Land Valuation and the book value of the Genius Year Sites as at 30 June 2022 of approximately HK\$11,530,000) and (ii) a net increment in net asset value of approximately HK\$490,000 by excluding the right of use of assets of approximately HK\$3,660,000 and the corresponding lease liability of approximately HK\$4,150,000 arising from the land use right of certain farm lands to be assigned to a fellow subsidiary of Genius Year Group in the fourth quarter of 2022.

We have reviewed the Valuation Report prepared by the Independent Valuer and we have also discussed with the Independent Valuer regarding the methodology and principal basis and assumptions adopted for the valuation of Genius Year Sites. We understand that the common valuation approaches are market approach, income approach and cost approach. We further understand from the Independent Valuer that the adoption of income approach, which heavily relies on projection on expected discounted future revenue and/or cash inflows, may not be appropriate because no income has been generated from the Genius Year Group in the last 10 years. On the other hand, we understand from the Independent Valuer that the adoption of the cost approach was also not appropriate because it could not reflect income generation or cost saving potentials.

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The Independent Valuer has applied market approach to estimate the market value of the Genius Year Sites, which is the best price reasonably obtainable in the market by the Vendor and the most advantageous price reasonably obtainable in the market by the Purchaser. Direct comparison approach was adopted where assuming the sale of the property in its existing state with the benefit of vacant possession and by making reference to three comparable quotations from land sale agency websites as available in the relevant market. Since such valuation methodology is in compliance with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, we are satisfied with the approach and methodology adopted in the Valuation Report.

In compliance with the requirements of Rule 13.80 of the Listing Rules, we have interviewed the Independent Valuer and noted that the Independent Valuer possesses sufficient qualifications and experience in valuing assets similar to that of the Genius Year Sites for listed companies in the PRC and Hong Kong over the years. Meanwhile, we have reviewed the scope of services provided under the engagement of the Independent Valuer and we noted that the scope of work is appropriate to the opinion given and, as confirmed by the Independent Valuer during our enquiry, there were no limitations on the scope of work. We have also made inquiry on any current or prior relationship between the Independent Valuer and the Group, Mr. Ng, SCFH and any of their respective subsidiaries or their respective associates which the Independent Valuer has confirmed their independence. Therefore, we are of the view that the Independent Valuer has sufficient expertise and is independent to perform the valuation for the Genius Year Sites.

Based on our review of the Valuation Report, we consider that the valuation approaches adopted are common valuation methodologies in appraising such type of assets and the basis and assumptions adopted by the Independent Valuer are fair and reasonable. We also consider that the level of the Consideration of HK\$89,840,000, which equals to the Adjusted NAV taking into account the land value appreciation arising from the Land Valuation, is fair and reasonable.

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2. Terms of the Convertible Bonds

Pursuant to the Sale and Purchase Agreement, the Consideration is to be settled by the issue of the Convertible Bonds by SCFH upon Completion. The principal terms of the Convertible Bonds are stated in the Letter from the Board. In particular, the Convertible Bonds will have a term of three years, bearing 1% interest rate per annum and will not be listed. The Bondholder(s) shall have the right to convert the Convertible Bonds into the shares of SCFH during the period commencing from the date of issue of the Convertible Bonds.

Assuming full conversion of the Convertible Bonds at the Conversion Price of HK\$0.32 per Conversion Share, a total of 280,750,000 SCFH Shares will be issued, representing approximately 48.24% of the enlarged issued shares of SCFH after Completion.

Conversion Price

To assess the fairness and reasonableness of the Conversion Price at HK\$0.32 per Conversion Share, we set out the following analyses:

- (i) the closing price of HK\$0.32 of a share of SCFH as quoted on the Stock Exchange on 13 September 2022, being the date of the Sale and Purchase Agreement;
- (ii) a premium of approximately 0.63% over the average closing price of approximately HK\$0.318 of a share of SCFH quoted on the Stock Exchange over the last five (5) consecutive trading days prior to the date of the Sale and Purchase Agreement;
- (iii) a discount of approximately 1.23% to the average closing price of approximately HK\$0.324 of a share of SCFH quoted on the Stock Exchange for the last 10 consecutive trading days immediately prior to the date of the Sale and Purchase Agreement; and
- (iv) a premium of approximately 14.29% over the closing price of approximately HK\$0.28 of a share of SCFH quoted on the Stock Exchange on the Latest Practicable Date.

In order to assess the fairness and reasonableness of the major terms of the Convertible Bonds under the recent market conditions, we have conducted a comparable analysis by identifying companies listed on the Stock Exchange which (i) have announced the issuance of convertible bonds (the “**CB Issuance(s)**”) during the period between 13 March 2022 and the date of the Sale and Purchase Agreement, being a period of six months prior to the date of the Sale and Purchase Agreement; (ii) the tenure of the convertible bonds of three years or above; and (iii) the CB Issuance has not lapsed or cancelled on or before the date of the Sale and Purchase Agreement. Based on the above

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criteria, we identified an exhaustive list of 6 transactions (the “**Comparable Transactions**”) which represent fair and representative samples for our analysis. Set out below are the details of the Comparable Transactions:

No.	Date of announcement	Name of company (stock code)	Tenure (year)	Interest rate per annum (%)	Premium/(discount) of conversion price over/(to) the closing price of the respective shares on the last trading day prior to the date of the relevant agreement (%)	Premium/(discount) of conversion price over/(to) the closing price of the last 5 trading days immediately prior to the date of the relevant agreement/ announcement	Premium/(discount) of conversion price over/(to) the closing price of the last 10 trading days immediately prior to the date of the relevant agreement/ announcement
1	12 April 2022	CIFI Holdings (Group) Co. Ltd. (884.HK) ⁽¹⁾	3.0	6.95%	23.94%	21.89%	27.88%
2	11 July 2022	Town Health International Medical Group Limited (3886 HK)	1.0 to 3.0 ⁽²⁾	0.00%	53.54%	54.31%	64.20%
3	1 August 2022	Vobile Group Limited (3738.HK)	3.0	4.00%	32.67%	31.81%	30.23%
4	1 August 2022	China Baoli Technologies Holdings Limited (164.HK)	3.0	4.00%	50.00%	(10.98%)	(10.18%)
5	17 August 2022	Lenovo Group Limited (992.HK)	7.0	2.50%	42.50%	40.06%	39.78%
6	19 August 2022	Central Development Holdings Limited (475 HK)	3.0	0.00%	0.00%	1.09%	(0.13%)
		Maximum		6.95%	53.54%	54.31%	64.20%
		Minimum		0.00%	0.00%	(10.98%)	(10.18%)
		Mean		2.91%	33.77%	23.03%	25.30%
		Median		3.25%	37.58%	26.85%	29.06%
	The issuance of the Convertible Bonds for settlement of the Consideration announced on 13 September 2022		3.0	1.00%	0.00%	0.63%	(1.23%)

Notes:

- CIFI Holdings (Group) Co. Ltd has announced on 12 April 2022 to issue an additional HK\$588 million of convertible bonds which will be consolidated with the convertible bonds issued on 8 April 2022. As the underlying convertible bonds are the same, we have excluded the convertible bonds issued on 8 April 2022 in our analysis.
- The convertible bonds have three tranches with one, two and three years of maturity period, respectively.

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We noted in the Comparable Transactions that the conversion price of the respective CB Issuance as compared to the share price of the underlying share of the CB Issuance on the last trading date (the “**LTD Comparison**”) prior to the date of the relevant agreements ranged from 0.00% to a premium of 53.54%, with a mean of approximately 33.77% and a median of approximately 37.58%. Upon comparison, the Conversion Price which represents the same price as the closing price of the Share on the Last Trading Day, falls below the mean and median of the LTD Comparison.

Further, we noted that the conversion price of the respective CB Issuance as compared to the average closing price of the underlying share of the CB Issuance on the last five trading days (the “**Five-Day Average Comparison**”) prior to the entering into of the relevant agreements ranged from a discount of 10.98% to a premium of 54.31%, with a mean of approximately 23.03% and a median of approximately 26.85%. Upon comparison, the Conversion Price, which represents a premium of 0.63% over the 5-day average closing price of the Share prior to entering into of the Sale and Purchase Agreement, is well below the mean and median of the Five-Day Average Comparison.

Moreover, we noted that the conversion price of the respective CB Issuance as compared to the average closing price of the underlying share of the CB Issuance on the last ten trading days (the “**Ten-Day Average Comparison**”) prior to the entering into of the relevant agreements ranged from a discount of 10.18% to a premium of 64.20%, with a mean of approximately 25.30% and a median of approximately 29.06%. Upon comparison, the Conversion Price, which represents a discount of 1.23% to the 10-day average closing price of the Share prior to entering into of the Sale and Purchase Agreement, is also well below the mean and median of the Ten-Day Average Comparison.

Having considered that the Conversion Price falls far below the means and median of the LTD Comparison, Five-Day Average Comparison and the Ten-Day Average Comparison, representing a favorable condition for the Group to exercise the conversion rights of the Convertible Bonds, we are of the view that the Conversion Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Interest Rate

We noted that the annual interest rates of the Comparable Transactions range from 0% to 6.95% with a mean of approximately 3.49%. Upon comparison, the annual interest rate of the Convertible Bonds of 1% is within the range of those of the Comparable Transactions but falls below the mean and median of the annual interest rate of the Comparable Transactions. Among the Comparable Transactions, Comparable Transaction No. 1 carries an interest rate of 6.95% per annum. The higher interest rate for such CB Issuances was due to the fact that those CB Issuances were for the purpose of debt restructuring of

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the relevant listed issuer as the net proceeds from the relevant CB Issuances were used to redeem previously issued senior notes with coupon rate of 6.70%. As for Comparable Transaction No. 3, it carries interest rate of 4% per annum. As disclosed in the annual report of the relevant listed issuer for the year ended 31 December 2021, it had previously taken out interest-bearing loans in 2019 with certain investors which bears interest rate at London Inter-Bank Offered Rate plus eight to nine percent and it had also issued two series of convertible bonds with certain investors which carry interest rates of 5% per annum. Therefore, the relevant CB Issuance of Comparable Transaction No. 3, in which the net proceeds were used as general working capital, represented the usual debt financing arrangement of the relevant listed issuer and the interest rate of 4% per annum was similar to that of its previous convertible bonds issues, taking into account the circumstances of the relevant listed issuer. In addition, the conversion price of Comparable Transaction No. 3 represents 32.67% premium over the closing price of the share of the relevant listed issuer on its last trading day prior to the entering into of the relevant agreement. The higher interest rate of 4% per annum could be an incentive to the investor to compensate for the exceptionally high conversion price. As for Comparable Transaction No. 4 with an interest rate of 4% per annum, we noted from the annual report of the relevant listed issuer for the year ended 31 March 2022 that the listed issuer was heavily indebted with a net liability position and it had also taken out various borrowings with interest rates ranging from 5% to 16% per annum. Therefore, the higher interest rate of the Comparable Transaction No. 4 should have taken into account the circumstances of the relevant listed issuer. Other than the above Comparable Transactions No. 1, No. 3 and No. 4, the interest rates of the remaining Comparable Transactions ranged from 0% to 2.5% which are comparable to the interest rate of 1.0% per annum of the Convertible Bonds.

Transferability

We noted that the Convertible Bonds may be freely assigned or transferred to any Independent Third Party. We consider that the free transferability provides flexibility to the Group to divest its investment in SCFH in the event that the Group chooses to liquidate part of its investment in the Convertible Bonds earlier, and such feature, is in the interests of the Company and the Shareholders as a whole.

Notwithstanding that the annual interest rate of the Convertible Bonds is below the average and median of the Comparable Transactions and it falls on the lower end of the range of the Comparable Transactions, the favorable Conversion Price for the Group to exercise the conversion rights of the Convertible Bonds outweigh the lower interest rate of the Convertible Bonds. Having considered the above, we are of the view that the terms of the Convertible Bonds are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

III. Financial Effects of the Proposed Disposal

As set out in the Letter from the Board, the financial results of the Genius Year Group will no longer be consolidated into the financial statement of the Company upon Completion and the financial effects of the Proposed Disposal are summarised and set out below.

1. Earnings

Upon Completion, the Group shall not have any interest in Genius Year Group and the financial performance and position of Genius Year Group will cease to be consolidated in the accounts of the Group. The Group recorded consolidated audited net profit attributable to the Shareholders of approximately HK\$33.1 million for the year ended 31 December 2021. The Genius Year Group had been loss-making for the years ended 31 December 2020 and 2021. Upon Completion, the Group will cease to bear the losses of Genius Year Group.

Besides, as the Company will recognize an estimated gain on disposal of approximately HK\$77,560,000 upon Completion, the profit attributable to owners of the Company will increase by the one-off net gain of approximately HK\$77,560,000. Accordingly, it is expected that the earnings of the Group will improve.

2. Net asset value

As stated in the Interim Report, the Group had consolidated unaudited net asset value of approximately HK\$6,629.0 million as at 30 June 2022. Upon Completion, it is expected that the net assets of the Group will increase after taking into account the estimated gain on disposal of approximately HK\$77.6 million. We consider that the Proposed Disposal will have an overall improvement on the Group's net assets position.

3. Cash flow

The Group had consolidated unaudited cash and cash equivalent of approximately HK\$653.9 million as at 30 June 2022. Upon Completion, the Group's cash and cash equivalent will slightly increase after the issuance of the Convertible Bonds by SCFH arising from the interest of the Convertible Bonds.

4. Gearing ratio

The gearing ratio of the Group, as measured by dividing total long-term debts divided by the Group's equity, was approximately 35.9% as at 30 June 2022. Upon Completion, it is expected that the total equity of the Group will increase after taking into account the estimated gain on disposal of approximately HK\$77.6 million. Therefore, assuming the total debt of the Group remains at the same level, it is expected that the gearing ratio of the Group will decrease.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above, we are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of

Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Ravia Global Appraisal Advisory Limited, an independent valuer, in connected with its valuation as at 30 September 2022 of the Genius Year Sites.



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16 December 2022

South China Holdings Company Limited

28th Floor, Bank of China Tower
No.1, Garden Road
Central, Hong Kong

Dear Sirs/Madams,

Re: Land Valuation of 65 parcels of forestry land situated in Chongyang County, Xianning City, Hubei Province, the People’s Republic of China (the “Lands”)

In accordance with the instructions of South China Holdings Company Limited (the “**Company**”), and together with its subsidiaries, the “**Group**”) to value the captioned Lands in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Lands as at 30 September 2022 (the “**Date of Valuation**”). for the purpose of incorporation in the Circular of the Company dated 16 December 2022.

1. BASIS OF VALUATION

Our valuation of the Lands is our opinion of the market values of the concerned Lands which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the Lands by the direct comparison approach assuming sale of the Lands in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

We have been provided with copies of extracts of title documents in relation to the Lands. However, under the current land registration system of the PRC, we are not able to conduct title search to verify the original of such documents have been registered with the relevant official authorities, and we have not scrutinized the original documents to verify any amendment which may not appear on the copies handed to us. Thus, we have relied on the advices and information regarding the land title status provided by the Group and the Group's independent PRC legal adviser, Jiangsu Yongrun Law Firm, in the course of our valuation.

We have also relied on the advice given by the Group that the Group has valid and enforceable title to the Lands which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Lands in the market in their existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of the Lands. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Lands and no allowance has been made for the Lands to be sold in one lot or to a single purchaser. As instructed by the Group, we have assumed the subject land parcels are vacant and the valuation only reflects the market value of the land use rights.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of the Lands, particulars of occupation, site areas and all other relevant matters which can affect the values of the Lands. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the sites and areas of the Lands and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

6. VALUATION CONSIDERATION

We have inspected the Lands, however, we have not carried out investigation on site to determine the suitability of the soil conditions or any form of potential contamination or hazard which might affect the future usage. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary costs will be incurred for the continuity of future use.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Lands nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Lands are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the Lands, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

7. REMARKS

In accordance with our standard practice, we must state that this report is for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its contents and neither the whole, nor any part of this report may be included in any published documents or statement nor published in any way without our prior written approval of the form and context in which it may appear.

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi (RMB).

Our Valuation Certificate is attached herewith.

Yours faithfully,
For and on behalf of
RAVIA GLOBAL APPRAISAL ADVISORY LIMITED
Dr. Alan W K Lee
PhD(BA) MFin BCom(Property)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute, He has over 16 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and American countries.

VALUATION CERTIFICATE

Land held by the Group for owner-occupation in the PRC

Land	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 September 2022
65 parcels of forestry land situated in Chongyang County, Xianning City, Hubei Province, The PRC	The site comprises 65 parcels of forestry land with a total site area of approximately 139,216 mu (or about 92,811,000 sq.m.).	As advised by the Group, the land is vacant with vegetation and idle as at the Date of Valuation.	RMB78,400,000
位於中國湖北省咸寧市崇陽縣之65塊林地	The forestry land parcels are mainly located near the southern border of Hubei Province, junction of Hunan, Hubei and Jiangxi provinces.		
	The forestry land use rights of the property are held under various State-owned Forestry Land Use Rights Certificates for a term of 70 years with various expiry dates between 31 July 2079 and 30 April 2083.		

Notes:

- Pursuant to 36 State-owned Forestry Land Use Rights Certificates (林權證), the forestry land use rights of the land parcel with a total site area of 139,216 mu (or about 92,811,000 sq.m.) have been granted to Wuhan Huafeng Agriculture and Forestry Development Co., Ltd. (武漢華峰農林發展有限公司) (“**Huafeng**”) and Wuhan Gangyang Forestry Development Co., Ltd. (武漢港洋林業發展有限公司) (“**Gangyang**”), wholly owned subsidiaries of the Company, for a tenure of 70 years with various land use right expiry dates between 31 July 2079 and 30 April 2083, details as below:

Certificate Nos.	Forest Land Use Rights Owner	Site Area (mu)	Tenure (years)	Land Use Right Expiry Dates
Chong Zheng Lin Zheng Zi (崇政林証字) (2009) Di(第) 000422 Hao(號)	Huafeng	3,691	70	2079-09-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2009) Di(第) 000423 Hao(號)	Huafeng	2,517	70	2079-09-30
	Huafeng	838	70	2079-09-30
	Huafeng	2,842	70	2079-09-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2009) Di(第) 000424 Hao(號)	Huafeng	615	70	2079-07-31
	Huafeng	1,182	70	2079-07-31
	Huafeng	1,535	70	2079-07-31

Certificate Nos.	Forest Land Use Rights Owner	Site Area (<i>mu</i>)	Tenure (<i>years</i>)	Land Use Right Expiry Dates
Chong Zheng Lin Zheng Zi (崇政林証字) (2009) Di(第) 000425 Hao(號)	Huafeng	3,178	70	2079-09-30
	Huafeng	2,853	70	2079-09-30
	Huafeng	628	70	2079-09-30
	Huafeng	3,289	70	2079-09-30
	Huafeng	4,361	70	2079-09-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2009) Di(第) 000426 Hao(號)	Huafeng	1,050	70	2079-08-31
	Huafeng	695	70	2079-08-31
	Huafeng	4,307	70	2079-08-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000001 Hao(號)	Huafeng	2,345	70	2079-12-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000002 Hao(號)	Huafeng	1,764	70	2079-12-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000003 Hao(號)	Huafeng	1,349	70	2079-12-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000004 Hao(號)	Huafeng	5,180	70	2079-12-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000005 Hao(號)	Huafeng	4,093	70	2079-12-31
	Huafeng	5,408	70	2079-12-31
	Huafeng	796	70	2079-12-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000007 Hao(號)	Huafeng	3,375	70	2080-04-02
Chong Zheng Lin Zheng Zi (崇政林証字) (2012) Di(第) 000033 Hao(號)	Gangyang	1,857	70	2081-10-31
	Gangyang	844	70	2081-10-31
	Gangyang	1,234	70	2081-10-31
	Gangyang	1,897	70	2081-10-31
	Gangyang	3,476	70	2081-10-31
	Gangyang	697	70	2081-10-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2012) Di(第) 000034 Hao(號)	Gangyang	650	70	2081-10-31
	Gangyang	134	70	2081-10-31
	Gangyang	1,263	70	2081-10-31
	Gangyang	1,880	70	2081-10-31
	Gangyang	3,190	70	2081-10-31
	Gangyang	1,475	70	2082-06-02
Chong Zheng Lin Zheng Zi (崇政林証字) (2012) Di(第) 000035 Hao(號)	Gangyang	889	70	2081-10-31
	Gangyang	2,673	70	2081-10-31
	Gangyang	727	70	2081-10-31
	Gangyang	1,190	70	2081-10-31
	Gangyang	926	70	2081-10-26
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000139 Hao(號)	Gangyang	1,043	70	2081-10-26

Certificate Nos.	Forest Land Use Rights Owner	Site Area (<i>mu</i>)	Tenure (<i>years</i>)	Land Use Right Expiry Dates
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000221 Hao(號)	Gangyang	1,068	70	2080-07-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000250 Hao(號)	Huafeng	857	70	2080-04-30
	Huafeng	461	70	2080-04-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000138 Hao(號)	Gangyang	1,996	70	2081-07-30
	Gangyang	1,455	70	2081-07-30
	Gangyang	1,233	70	2081-07-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000026 Hao(號)	Gangyang	232	70	2080-05-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000025 Hao(號)	Gangyang	3,051	70	2080-05-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000027 Hao(號)	Gangyang	5,213	70	2080-05-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000024 Hao(號)	Gangyang	3,202	70	2080-05-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000249 Hao(號)	Gangyang	1,621	70	2080-07-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000309 Hao(號)	Gangyang	1,216	70	2080-10-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000225 Hao(號)	Gangyang	1,625	70	2080-04-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000224 Hao(號)	Gangyang	4,371	70	2080-04-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000131 Hao(號)	Gangyang	2,547	70	2081-08-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2010) Di(第) 000308 Hao(號)	Gangyang	1,278	70	2080-05-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2011) Di(第) 000023 Hao(號)	Gangyang	727	70	2081-01-18
Chong Zheng Lin Zheng Zi (崇政林証字) (2012) Di(第) 000077 Hao(號)	Gangyang	4,545	70	2081-07-31
Chong Zheng Lin Zheng Zi (崇政林証字) (2013) Di(第) 000093 Hao(號)	Gangyang	7,729	70	2083-04-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2013) Di(第) 000094 Hao(號)	Gangyang	3,727	70	2083-04-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2014) Di(第) 000068 Hao(號)	Gangyang	2,615	70	2083-04-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2013) Di(第) 000091 Hao(號)	Gangyang	405	70	2080-11-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2013) Di(第) 000090 Hao(號)	Gangyang	1,068	70	2080-11-30
Chong Zheng Lin Zheng Zi (崇政林証字) (2013) Di(第) 000089 Hao(號)	Gangyang	3,038	70	2080-11-30

Total: 139,216

2. We have been provided with a legal opinion regarding the land interest by the Group's independent PRC legal adviser, which contains, inter alia, the following:
 - i. Huafeng and Gangyang are legally and validly in possession of the forestry land use rights of the Lands and has the right to occupy, lease, use, or transfer with consent from the relevant government authorities (consent is not required if transfer to any affiliated companies of the Company established in the local district or county) within the granted tenure; and
 - ii. The Lands are not subjected to any encumbrance such as mortgage and pledge.
3. Our inspection was performed by Mr. J.R. Zhang, who has over 15 years of valuation experience in the PRC, in October 2022.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests of the Directors, the chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be recorded in the register referred to under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of listed issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

Name of Director(s)	Number of Shares held			Total number of Shares held	Approximate percentage of shareholding to total issued Shares (Note 1)
	Personal interests	Family interests	Corporate interests		
Mr. Ng	1,312,816,324	613,214,065 (Note 2)	6,828,729,326 (Note 3)	8,754,759,715	66.22%
Ms. Cheung	41,000,000	—	—	4,100,000	0.31%
Mr. Paul Ng	171,989,238	—	—	171,989,238	1.30%
Ms. Jessica Ng	170,700,000	—	—	170,700,000	1.29%

Long positions in ordinary shares of associated corporation

Name	Name of associated corporation	Number of Shares held by controlled corporation	Approximate percentage of shareholding to total issued ordinary shares
Mr. Ng	Prime Prospects Limited (“Prime Prospects”) (Note 4)	30	30%

Notes:

1. These percentages are calculated on the basis of 13,221,302,172 Shares in issue as at the Latest Practicable Date.
2. The spouse of Mr. Ng is the beneficial shareholder.
3. 6,828,729,326 Shares held by Mr. Ng through controlled corporations included 2,124,792,202 Shares held by Fung Shing, 2,020,984,246 Shares held by Parkfield, 89,410,210 Shares held by Ronastar, 1,075,765,537 Shares held by Eartrade, 1,273,122,098 Shares held by Bannock, 212,405,565 Shares held by Crystal Hub and 32,249,468 Shares held by Green Orient. Fung Shing, Parkfield and Ronastar all are wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. Crystal Hub is a direct wholly-owned subsidiary of South China Assets Holdings Limited, which, in turn, is 69.33% beneficially owned by Mr. Ng. Green Orient is an indirect wholly-owned subsidiary of the Company. As such, Mr. Ng was deemed to have interest in the said 212,405,565 Shares held by Crystal Hub, 32,249,468 Shares held by Green Orient and 2,348,887,635 Shares held by Bannock and Eartrade.
4. Prime Prospects is a 70% owned subsidiary of the Company.

Apart from the foregoing, none of the directors and chief executives of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as at Latest Practicable Date.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, interests in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and the amount of each of such person's interests in such Shares is as follows:

Name	Beneficial interests	Number of Shares held			Total number of Shares held	Approximate percentage of shareholding to total issued Shares (Note 1)
		Family interests	Corporate interests			
Earntrade	1,075,765,537	—	1,273,122,098	2,348,887,635 (Note 2)	17.77%	
Bannock	1,273,122,098 (Note 2)	—	—	1,273,122,098	9.63%	
Fung Sang	2,124,792,202	—	—	2,124,792,202	16.07%	
Parkfield	2,020,984,246	—	—	2,020,984,246	15.29%	
Ms. Ng	613,214,065	8,141,545,650 (Note 3)	—	8,754,759,715	66.22%	

Notes:

1. These percentages are calculated on the basis of 13,221,302,172 Shares in issue as at Latest Practicable Date.
2. Bannock is a wholly-owned subsidiary of Earntrade. 2,348,887,635 Shares held by Earntrade included 1,273,122,098 Shares held by Bannock directly.
3. Ms. Ng, who held 613,214,065 Shares directly, is the spouse of Mr. Ng. By virtue of the SFO, Ms. Ng was deemed to be interested in the 8,141,545,650 Shares (including 1,312,816,324 Shares and 6,828,729,326 Shares held by Mr. Ng directly and indirectly through controlled corporations respectively), as disclosed in the section headed "Directors' and chief executives' Interests in the Company or its associated corporations" in the above.

As at the Latest Practicable Date, save as (i) Mr. Ng, the director of Earntrade, Bannock, Fung Shing and Parkfield; and (ii) Ms. Cheung, the director of Earntrade and Bannock, none of the Directors was a director or an employee of a company which had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, there was no person (other than a Director or chief executive of the Company) or deemed or taken to have who had an interest or a short position in the Shares and/or underlying Shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2021 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of or leased to any member of the Group.

4. COMPETING INTERESTS

Given (1) the Company does not hold any forestry land in Hubei Province and does not conduct any business related to carbon credit trading as at the Latest Practicable Date and (2) as advised by SCFH, the Genius Year Sites, of which all the forestry lands are located in Chongyang County, Xianning City, Hubei Province, are the only forestry land project to be held by SCFH upon Completion, the Board considers that the business focus (in terms of the location and size of the projects) of the Company and SCFH are different and hence the competition between the businesses of the Company and SCFH is considered to be relatively remote.

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, enter directly or indirectly, with the business of the Group or any other conflicts of interests with the Group other than those business to which the Directors and his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. LITIGATION

Apart from the involvement of certain subsidiaries of the Company in the litigation and arbitration proceedings as disclosed in the Company's Annual Report for the year ended 31 December 2021 and Interim Report for the six months ended 30 June 2022 respectively as claimants, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

Save the agreements set out below, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two (2) years immediately preceding the Latest Practicable Date:

- (a) the Sale and Purchase Agreement;
- (b) the engagement agreement dated 31 December 2020 (the "**Engagement Agreement I**") and entered into between 南京電機有限公司 (Nanjing Electrical Limited*) ("**Nanjing Electrical**"), an indirect wholly-owned subsidiary of the Company and 滄州南華房地產開發有限公司 (Cangzhou South China Real Estate Development Limited*) ("**Cangzhou Real Estate**"), an indirect wholly-owned subsidiary of South China Assets Holdings Limited in respect of the engagement of Cangzhou Real Estate to provide pre-development management services for a property development project located in 雨花西路262號 (262 Rain Flower West Road*) in Nanjing, the PRC, having an area of approximately 9,499.2 sq.m. for commercial, offices and residential development (the "**Project**") on behalf of Nanjing Electrical for a term of twelve (12) months (up to a maximum of eighteen (18) months) from the Effective Date. The Engagement Agreement I was terminated with effect from 18 March 2022, as described in the announcements of the Company dated 31 December 2020 and 11 March 2022 respectively; and
- (c) the engagement agreement dated 31 December 2020 (the "**Engagement Agreement II**") and entered into between Nanjing Electrical and Cangzhou Real Estate in respect of the engagement of Cangzhou Real Estate to provide project development management services for the Project on behalf of Nanjing Electrical for a fixed term of thirty-six (36) months upon the date of obtaining the Land Certificate by Nanjing Electrical. The Engagement Agreement II was terminated with effect from 18 March 2022, as described in the announcements of the Company dated 31 December 2020 and 11 March 2022 respectively.

* Denotes English translation of a Chinese name and is provided for identification purpose only.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. QUALIFICATIONS AND CONSENT OF EXPERTS

The following set out the qualifications of the experts who have given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Octal Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ravia Global Appraisal Advisory Limited	Independent Valuer

As at the Latest Practicable Date, each of the experts did not have any direct or indirect interest in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group, and had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

As at the Latest Practicable Date, the above experts had given and have not withdrawn their respective written consent to the issue of this circular with the inclusion herein of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

10. MISCELLANEOUS

- (a) The registered office of the Company is situated at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands and the principal place of business in Hong Kong is at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (b) The share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (c) The company secretary of the Company is Mr. Watt Ka Po James, who is a fellow member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.
- (d) The English text of this circular and accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.scholding.com) for a period of not less than fourteen (14) days from the date of this circular up to and including the date of EGM and is available for inspection at the EGM:

- (a) the amended and restated memorandum and articles of association of the Company;
- (b) the material contracts as referred to in the paragraph headed "7. Material Contracts" in this Appendix;
- (c) the written consent of expert referred to in the paragraph headed "9. Qualifications and consent of experts" in this Appendix;
- (d) the letter from the Board, the text of which is set out on pages 7 to 20 in this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 21 and 22 in this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 23 to 38 in this circular; and
- (g) this circular.

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of South China Holdings Company Limited (the “**Company**”) will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 11 January 2023 at 11:00 a.m. (the “**EGM**”) for the purpose of considering and, if thought fit, passing with or without amendment(s), passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the sale and purchase agreement dated 13 September 2022 (the “**Sale and Purchase Agreement**”) entered into between Thousand China Investments Limited as vendor and Power Path Global Limited as purchaser (a copy of which marked “A” has been produced to the EGM and initialled by the chairman of the EGM for the purpose of identification) in relation to, among other matters, the proposed sale of one (1) share of US\$1.00 in the share capital of Genius Year Limited, representing the entire issued share capital of Genius Year Limited, and the transactions contemplated thereunder (including the terms and conditions of the convertible bonds which are to be issued by South China Financial Holdings Limited), details of which are disclosed in the circular of the Company dated 16 December 2022 be and are hereby approved, ratified and confirmed; and
- (b) subject to and conditional upon the fulfillment of the conditions set out in Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the convertible bonds), any one or more directors of the Company (the “**Directors**”) be and is/are hereby authorised, for and on behalf of the Company, to execute all such documents, instruments and agreements, and take such action, do all such acts or things, as he/she/they may, in his/her/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implement of or giving effect or completion of any matters relating to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the convertible bonds) and all matters incidental thereto.”

NOTICE OF THE EGM

By order of the board of Directors of
South China Holdings Company Limited

南華集團控股有限公司

Cheung Choi Ngor

Executive Director

Hong Kong, 16 December 2022

Registered office:

P.O. Box 31119

Grand Pavilion

Hibiscus Way

802 West Bay Road

Grand Cayman KY1-1205

Cayman Islands

Head Office and Principal Place of Business in Hong Kong:

28th Floor

Bank of China Tower

1 Garden Road, Central

Hong Kong

Notes:

1. The register of members of the Company will be closed from Friday, 6 January 2023 to Wednesday, 11 January 2023, both days inclusive, during which period no share transfers will be effected. In order to be eligible to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 5 January 2023.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
3. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the EGM or any adjourned meeting thereof should he so wish.
4. In the case of joint shareholdings, any one of such persons may vote, either personally or by proxy in respect of such share, provided that if more than one of such joint holders be present at the meeting or any adjournment thereof personally or by proxy, the more senior shall alone be entitled to vote and for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the joint holding.

NOTICE OF THE EGM

5. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.scholding.com and on the HKExnews website of the Stock Exchange at www.hkexnews.hk to notify the shareholders of the Company of the date, time and venue of the rescheduled meeting.
6. In the case of any inconsistency between the Chinese translation and the English text hereof, the English text shall prevail.
7. To safeguard the health and safety of the shareholders of the Company and to prevent the spreading of the COVID-19 pandemic, certain precautionary measures will be implemented at the EGM, including (i) compulsory temperature screening/checks; (ii) wearing of surgical face mask; and (iii) no provision of refreshments or drinks or souvenir. Attendees who do not comply with the precautionary measures referred to in (i) and (ii) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. For the health and safety of the shareholders of the Company, the Company would like to encourage shareholders of the Company to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.
8. As at the date of this notice, the Directors 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) Mrs. Tse Wong Siu Yin Elizabeth, Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P. as independent non-executive Directors.