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SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF TENANCY AGREEMENTS

INTRODUCTION

With reference to the announcement of the Company dated 15 January 2016 regarding, among other things, renewal of tenancy agreements dated 31 December 2015 under which Copthorne as landlord and SCM Management as tenant in respect of the leasing of certain premises in Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong (one of the tenancy agreements was subsequently amended and varied pursuant to the Partial Surrender Agreement (the “**Amended Tenancy Agreement**”), which were more particularly described in the announcement of the Company dated 17 January 2017 (the “**January 2017 Announcement**”)).

The Board announces that Copthorne and SCM Management entered into 2018 Tenancy Agreements for further renewal for a term of two (2) years from 1 January 2018.

RENEWAL OF TENANCY AGREEMENTS

Major terms of 2018 Tenancy Agreements are summarized as follows:

2018 Tenancy Agreement (A)

Parties:	Copthorne (as landlord) SCM Management (as tenant)
Term:	two (2) years, from 1 January 2018 to 31 December 2019 (both days inclusive)
Premises:	Units A and B, 3 rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong
Rental:	HK\$75,816.00 per month (exclusive of building management fee, government rates, reserve fund and utility charges)
Rent free period :	one and a half (1.5) months

2018 Tenancy Agreement (B)

Parties: Copthorne (as landlord)
SCM Management (as tenant)

Term: two (2) years, from 1 January 2018 to 31 December 2019 (both days inclusive)

Premises: Units B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong

Rental: HK\$29,250.00 per month (exclusive of building management fee, government rates, reserve fund and utility charges)

Rent free period : one and a half (1.5) months

REASONS FOR AND BENEFITS OF THE RENEWAL OF TENANCY AGREEMENTS

The rentals for the premises set out in 2018 Tenancy Agreements were arrived at after arm's length negotiations between the parties thereto by reference to the then prevailing market rent of properties of similar nature (in terms of area and location).

All properties leased out under 2018 Tenancy Agreements are investment in nature for rental income. The renewal of 2018 Tenancy Agreements provides the Group with continuous and stable rental income.

With respect to 2018 Tenancy Agreements, the Directors (including independent non-executive Directors) considered that (a) the terms of the transactions contemplated thereunder are fair and reasonable; (b) the transactions thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group; and (c) the transactions thereunder are in the interests of the Group and the Shareholders as a whole.

RELATIONSHIPS BETWEEN THE PARTIES

Copthorne is an indirect wholly-owned subsidiary of the Company.

Mr. Ng, the chairman of the Board, an executive Director and controlling shareholder of the Company, is the ultimate beneficial owner of SCM Management, as such, SCM Management is an associate of Mr. Ng and, hence, Mr. Ng and SCM Management are connected persons of the Company according to the Listing Rules.

ANNUAL CAP

The annual cap for the 2018 Tenancy Agreements is determined by reference to the agreed annual rentals received and receivable thereunder. The aggregated annual cap, being the largest aggregated annual rental to be received during the terms from Four Seas Tenancy Agreements and 2018 Tenancy Agreements, is HK\$4.5 million.

INFORMATION ON THE COMPANY AND SCM MANAGEMENT

The Company is an investment holding company. Its principal subsidiaries are engaged in the manufacturing and trading of toys, electronic toys, shoes and leather products, property investment and development, and agriculture and forestry businesses.

SCM Management is engaged in the provision of management services to its affiliates.

LISTING RULES IMPLICATIONS

Mr. Ng, the chairman of the Board, an executive Director and the controlling shareholder of the Company, hence is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. On the other hand, Mr. Ng is an ultimate beneficial owner of SCM Management which is an associate of Mr. Ng under Rule 14A.12(c), therefore, SCM Management is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Given the foregoing, the transactions contemplated under 2018 Tenancy Agreements constitute continuing connected transactions for the Company under Rule 14A of the Listing Rules.

Apart from 2018 Tenancy Agreements, certain indirect wholly-owned subsidiaries of the Company entered into Four Seas Tenancy Agreements with certain associates of Mr. Ng respectively as more particularly described in the announcement of the Company dated 24 March 2017.

Pursuant to Rule 14A.81 of the Listing Rules, the continuing connected transactions contemplated under Four Seas Tenancy Agreements and 2018 Tenancy Agreements would be aggregated as all such agreements were entered into within a 12-month period, for the purpose of compliance with applicable connected transaction requirements based on the classification of the aforesaid aggregated continuing connected transactions.

As the applicable Percentage Ratios (other than profits ratio) calculated with reference to the aforesaid annual rental under 2018 Tenancy Agreements on a standalone basis are less than 0.1%, the continuing connected transaction is fully exempted under Rule 14A.76(1) and the applicable Percentage Ratios (other than profits ratio) of the aggregated continuing connected transactions calculated with reference to the largest aggregated annual cap during the terms of the Four Seas Tenancy Agreements and 2018 Tenancy Agreements are more than 0.1% but less than 5%, such transactions are subject to announcement, reporting and annual review requirements but exempt from the shareholders' approval pursuant to Rule 14A.76(2) of the Listing Rules.

Ms. Ng Yuk Mui Jessica (“**Ms. Jessica Ng**”) and Mr. Ng Yuk Fung Peter (“**Mr. Peter Ng**”), a non-executive Director and an executive Director respectively, who are associates of Mr. Ng and are directors of SCM Management. Given the foregoing, Ms. Jessica Ng and Mr. Peter Ng together with Mr. Ng, the ultimate beneficial owner of SCM Management, abstained from voting for considering and passing the Board resolutions of entering into 2018 Tenancy Agreements.

DEFINITIONS

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

“ associate(s) ”	having the meaning ascribed to it under the Listing Rules
“ Board ”	the board of Directors
“ Company ”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and its ordinary shares are being listed and traded on the main board of the Stock Exchange (stock code: 00413)
“ connected person ”	having the meaning ascribed to it under the Listing Rules
“ controlling shareholder ”	having the meaning ascribed to it under the Listing Rules
“ Copthorne ”	Copthorne Holdings Corp., a company incorporated in Panama with limited liability and an indirect wholly-owned subsidiary of the Company
“ Directors ”	directors of the Company
“ Four Seas Tenancy Agreements ”	having the meaning ascribed to it in the announcement of the Company dated 24 March 2017
“ Group ”	the Company and its subsidiaries
“ HK\$ ”	Hong Kong dollars
“ Hong Kong ”	The Hong Kong Special Administrative Region of the People’s Republic of China
“ Listing Rules ”	Rules Governing the Listing of Securities on the Stock Exchange
“ Mr. Ng ”	Mr. Ng Hung Sang, the chairman of the Board, an executive Director and controlling shareholder of the Company
“ Partial Surrender Agreement ”	having the meaning ascribed to it in January 2017 Announcement
“ Percentage Ratio(s) ”	having the meaning ascribed to it under the Listing Rules

“ SCM Management ”	South China Media Management Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly-owned by Mr. Ng
“ Shareholders ”	holders of the ordinary shares in the issued share capital of the Company
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ subsidiary(ies) ”	having the meaning ascribed to it under the Listing Rules
“ 2018 Tenancy Agreement (A) ”	the tenancy agreement dated 29 December 2017 entered into between Copthorne as landlord and SCM Management as tenant in respect of leasing Units A and B, 3 rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, having the terms substantially same as those set forth in the Amended Tenancy Agreement
“ 2018 Tenancy Agreement (B) ”	the tenancy agreement dated 29 December 2017 entered into between Copthorne as landlord and SCM Management as tenant in respect of leasing Unit B, 12 th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, having the terms substantially same as those set forth in the tenancy agreement dated 31 December 2015 entered into between the same parties
“ 2018 Tenancy Agreements ”	2018 Tenancy Agreement (A) and 2018 Tenancy Agreement (B)
“ % ”	per cent.

By Order of the Board
South China Holdings Company Limited
南華集團控股有限公司
Cheung Choi Ngor
Executive Director

Hong Kong, 29 December 2017

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