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**SOUTH CHINA ASSETS
HOLDINGS LIMITED**

南華資產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08155)



**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)

JOINT ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTION

**Independent financial advisor to the Independent Board Committee and
the Independent Shareholders**



THE ENGAGEMENT AGREEMENT

The SCAH Board and the SCHC Board are pleased to announce that on 6 October 2020 (after trading hours), Tianjin Yuji (an indirect wholly-owned subsidiary of SCHC) and Cangzhou Real Estate (an indirect wholly-owned subsidiary of SCAH) entered into the Engagement Agreement, pursuant to which Tianjin Yuji has conditionally agreed to engage Cangzhou Real Estate to provide comprehensive management services (including but not limited to design and planning) of the Project on its behalf and Cangzhou Real Estate has conditionally agreed to be engaged to provide comprehensive management services (including but not limited to design and planning) of the Project for a term of twenty-four (24) months from the Effective Date (or such other longer period to be mutually agreed between Tianjin Yuji and Cangzhou Real Estate in the event that completion of verification of the last phase of construction of the Project is beyond the term of twenty-four (24) months).

LISTING RULES OR GEM LISTING RULES (WHERE APPLICABLE) IMPLICATIONS

As at the date of this joint announcement, Mr. Ng and his associates held approximately 64.92% of the total issued share capital of SCAH and approximately 61.22% of the total issued share capital of SCHC. Therefore, each of SCAH and SCHC is an associate of Mr. Ng. Given the Engagement is a transaction for a continuous period of twenty-four (24) months with an associate of a connected person for each of SCAH and SCHC, the Engagement constitutes a continuing connected transaction for each of SCAH and SCHC under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules respectively.

For SCAH, given that the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Engagement is more than 5%, the Engagement is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

For SCHC, as none of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Engagement are more than 5%, according to Rule 14A.76(2) of the Listing Rules, the Engagement is subject to reporting and announcement but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Engagement Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details of the Engagement Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM, is expected to be despatched to the shareholders of SCAH on or before 28 October 2020.

Warnings: The Engagement is subject to the fulfillment of the conditions precedent set out in the Engagement Agreement, therefore, the Engagement may or may not proceed. Shareholders and potential investors of each of SCAH and SCHC are advised to exercise caution when dealing in the shares of SCAH and SCHC, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

The SCAH Board and the SCHC Board are pleased to announce that on 6 October 2020 (after trading hours), Tianjin Yuji (an indirect wholly-owned subsidiary of SCHC) and Cangzhou Real Estate (an indirect wholly-owned subsidiary of SCAH) entered into the Engagement Agreement, pursuant to which Tianjin Yuji has conditionally agreed to engage Cangzhou Real Estate to provide comprehensive management services (including but not limited to design and planning) of the Project on its behalf and Cangzhou Real Estate has conditionally agreed to be engaged to provide comprehensive management services (including but not limited to design and planning) of the Project for a term of twenty-four (24) months (or such other longer period to be mutually agreed between Tianjin Yuji and Cangzhou Real Estate in the event that the completion of verification of the last phase of construction of the Project is beyond the term of twenty-four (24) months) from the Effective Date.

Details of the Engagement Agreement and the transactions contemplated thereunder are set out below:

MAJOR TERMS OF THE ENGAGEMENT AGREEMENT

Date	6 October 2020
Parties	(1) Tianjin Yuji; and (2) Cangzhou Real Estate

Engagement

Cangzhou Real Estate shall manage the Project on the behalf of Tianjin Yuji. The scope of management services to be provided by Cangzhou Real Estate includes:

- (i) pre-development service — overall positioning, implementation and planning of the Project; and coordination with various relevant authorities for all necessary licences, permits and approvals;
- (ii) planning and design service — selection of designing unit; managing progress and controlling quality of output;
- (iii) cost control — formulating cost control policy for monitoring the costs of the Project;
- (iv) construction support service — organising tenders of various construction works from different contractors; selection, coordination and management of contractors and project managers; overall management of quality and completion progress of the Project (including construction of basic and common ancillary facilities);
- (v) verification and delivery service — final verification and acceptance of completion of various construction works; filing of all necessary reports of construction works to the authorities; organising delivery of properties upon completion of construction of properties for the Project;

- (vi) record service — recording down all information and documents in connection with the Project and handing over a copy of such record to Tianjin Yuji from time to time;
- (vii) contract enforcement service — management of various contracts (including preparation and preliminary review); performing and observing all obligations and exercising all rights of each of the contracts for Tianjin Yuji Group; resolving all disputes arising out of such contracts for Tianjin Yuji Group; and
- (viii) financial service — formulating financial control policy, opening bank account(s) for the Project and making payments for the Project.

Term

The term of the Engagement Agreement shall be twenty-four (24) months (or such other longer period to be mutually agreed between Tianjin Yuji and Cangzhou Real Estate in the event that completion of verification of the last phase of construction of the Project is beyond the term of twenty-four (24) months) from the Effective Date. For the avoidance of doubt, the term of the Engagement Agreement shall not exceed thirty-six (36) months.

Engagement fee

The total engagement fee in respect of the Engagement is RMB30.0 million (equivalent to approximately HK\$34.1 million) (represents approximately 10% of the total estimated construction cost of the Project). The engagement fee for the abovementioned services shall be paid by Tianjin Yuji to Cangzhou Real Estate in cash on a monthly basis (i.e. RMB1,250,000 per month). For the avoidance of doubt, the total engagement fee shall remain unchanged in the event that completion of verification of the last phase of construction of the Project is beyond the term of twenty-four (24) months.

The engagement fee was determined after arm's length negotiations between Tianjin Yuji and Cangzhou Real Estate after taking into account of (i) the prevailing market price of similar services; (ii) immediate availability of resources of Cangzhou Real Estate; (iii) solid experience of Cangzhou Real Estate in property development in Tianjin and its vicinity; and (iv) relatively close working relationships between Cangzhou Real Estate and the local authorities. SCHC Group intends to finance the engagement fee by means of bank construction loan, its internal resources and/or shareholder's loan.

Conditions precedent

The Engagement is conditional upon the fulfilment of both the following conditions:

- (i) having obtained the approval by the respective board of directors of Tianjin Yuji and Cangzhou Real Estate on the execution of the Engagement Agreement by their respective authorised representatives; and
- (ii) having obtained the approval from the Independent Shareholders at the EGM in respect of the Engagement Agreement and the transactions contemplated thereunder.

The above conditions cannot be waived by either party to the Engagement Agreement. If the conditions set out above have not been satisfied by 5:00 p.m. on the Long Stop Date, the Engagement Agreement shall lapse automatically, and thereupon the Engagement Agreement shall be null and void and of no further effect (for the avoidance of doubt, no party thereto shall have any further claim of whatsoever nature against the other party).

BASIS OF THE PROPOSED ANNUAL CAP

Since the term of the Engagement Agreement shall be twenty-four (24) months from the Effective Date, assuming the Effective Date is the date of Long Stop Day, the maximum proposed annual cap for the transactions contemplated under the Engagement Agreement for each of the three financial years ending 31 December 2022 are as follows:

Period	Proposed Annual Cap RMB ('000)
For the financial year ending 31 December 2020	2,500
For the financial year ending 31 December 2021	15,000
For the financial year ending 31 December 2022	12,500 ^{Note}

Note: The maximum proposed annual cap for the financial year ending 31 December 2022 shall be RMB15,000,000 assuming the Effective Date is 1 January 2021.

As at the date of this joint announcement, since the SCHC Group and the SCAH Group had not entered into any similar transaction in the past, there is no historical transaction amount available.

INFORMATION OF SCAH GROUP, SCHC GROUP, TIANJIN YUJI AND CANGZHOU REAL ESTATE

SCAH Group

SCAH Group is principally engaged in (i) property development in the PRC; (ii) financial services (subsidiaries of SCAH are holding licences for types 1, 2, 4 and 9 regulated activities under the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, and providing money lending services under Money Lenders Ordinance, Chapter 163 of the laws of Hong Kong) in Hong Kong; and (iii) the manufacturing and sale of medical face masks and related products.

SCHC Group

SCHC Group is principally engaged in the manufacturing and trading of toys, electronic toys, shoes and leather products, property investment and development, and agricultural and forestry businesses.

Tianjin Yuji

Tianjin Yuji is a property development company in the PRC, which is an indirect wholly-owned subsidiary of SCHC. The Project is owned by Tianjin Yuji.

Cangzhou Real Estate

Cangzhou Real Estate is a property management company in the PRC, which is an indirect wholly-owned subsidiary of SCAH.

REASONS FOR AND BENEFITS OF THE ENGAGEMENT

The Project is located in Tianjin, which is the only property development project held by SCHC Group, pending for development in Tianjin. SCHC Group does not have its property development professional team in Tianjin. On the other hand, SCAH Group has solid experience (including having its own professional team) in management (including but not limited to design and planning) of small to medium scale of property projects in the vicinity of Tianjin. For example, SCAH Group has completed its pre-construction stage of Block 3 of its Zhongjie Project with the main construction works thereof expected to be carried out in about early November 2020. In addition, SCAH Group has started the planning and design stage of the Phase 1A of Huanghua Project. The development area of the Project is about 58,000 sq.m., which is considered to be a medium scale property project that SCAH Group is experienced in.

It is the view of the SCHC Board (including the independent non-executive director of SCHC) that the Engagement is the most cost effective and efficient way to plan and develop the Project, and the Engagement will not prejudice the ownership of SCHC Group in the Project and the sales proceeds of the premises to be generated therefrom in the future.

The SCAH Board (excluding the Independent Board Committee whose opinion will be rendered and stated in the circular to be despatched to the shareholders of SCAH after taking into account of the advice from the Independent Financial Adviser) is of the view that the Engagement will provide a steady stream of positive cash flow for SCAH Group without bearing any substantial commercial risk during the term of the Engagement Agreement. Despite the Project is not owned by SCAH Group, the SCAH Board (excluding the Independent Board Committee whose opinion will be rendered and stated in the circular to be despatched to the shareholders of SCAH after taking into account of the advice from the Independent Financial Adviser) believes that it is a good opportunity for SCAH Group to expand its property development portfolio — (i) developing its own property development projects, e.g. Zhongjie, Huanghua and Xiazhuzhuang; and (ii) being engaged or commissioned by other property developer(s) to engage in property development in Beijing-Tianjin-Hebei urban agglomeration, which would enhance its sustainability in property development sector, and that SCAH Group is able to enjoy an advantage of economies of scale in the Engagement since it has already had a professional team for property development in the vicinity of Tianjin.

Both the SCHC Board (including the independent non-executive director of SCHC) and the SCAH Board (excluding the Independent Board Committee whose opinion will be rendered and stated in the circular to be despatched to the shareholders of SCAH after taking into account of the advice from the Independent Financial Adviser) are of the view that the Engagement will lead to a “win-win” situation for both SCHC and SCAH, which is on normal commercial terms, and that the terms of the Engagement Agreement are fair and reasonable and for the interests of SCHC and SCAH and their respectively shareholders as a whole.

LISTING RULES OR GEM LISTING RULES (WHERE APPLICABLE) IMPLICATIONS

As at the date of this joint announcement, Mr. Ng and his associates held approximately 64.92% of the total issued share capital of SCAH and approximately 61.22% of the total issued share capital of SCHC. Therefore, each of SCAH and SCHC is an associate of Mr. Ng. Given the Engagement is a transaction for a continuous period of twenty-four (24) months with an associate of a connected person for each of SCAH and SCHC, the Engagement constitutes a continuing connected transaction for each of SCAH and SCHC under Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules respectively.

Given the Engagement is considered to be a continuing connected transaction for each of SCAH and SCHC, the common directors of SCAH and SCHC, namely Mr. Ng, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Ms. Ng Yuk Mui Jessica, Mr. Ng Yuk Yeung Paul, and Ms. Pong Scarlett Oi Lan, BBS, J.P. have abstained from voting on the board resolutions of each of SCAH and SCHC in relation to the Engagement Agreement and the transactions contemplated thereunder. Save as disclosed above, no other directors of each of SCAH and SCHC have abstained from voting on the said respective board resolutions.

For SCAH, given that the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Engagement is more than 5%, the Engagement is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

For SCHC, as none of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Engagement are more than 5%, according to Rule 14A.76(2) of the Listing Rules, the Engagement is subject to reporting and announcement but exempt from circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SCAH has established the Independent Board Committee (comprising two independent non-executive directors of SCAH) to advise the Independent Shareholders with respect to the relevant resolution(s) approving the Engagement Agreement and the transactions contemplated thereunder proposed to be passed at the EGM.

SCAH has appointed First Shanghai Capital Limited as the independent financial adviser to advise Independent Board Committee and the Independent Shareholders on the terms of the Engagement Agreement and the transactions contemplated thereunder.

The EGM will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Engagement Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Engagement Agreement and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the EGM, is expected to be despatched to the shareholders of SCAH on or before 28 October 2020.

As at the date of this joint announcement, Mr. Ng and his associates held approximately 61.22% of the issued share capital of SCHC and approximately 64.92% of the total issued share capital of SCAH. Therefore, Mr. Ng was considered to have a material interest in the Engagement Agreement and the transaction contemplated thereunder by virtue of his interests in each of SCHC and SCAH, and he and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Earnttrade Investments Limited, Bannock Investment Limited, Green Orient Investments Limited, Ms. Ng Lai King Pamela, and Mr. Ng Yuk Yeung Paul, held approximately 64.94% of the total issued share capital of SCAH as at the date of this joint announcement, will abstain from voting on the resolutions approving the Engagement Agreement and the transactions contemplated thereunder in the EGM.

Warnings: The Engagement is subject to the fulfillment of the conditions precedent set out in the Engagement Agreement, therefore, the Engagement may or may not proceed. Shareholders and potential investors of each of SCAH and SCHC are advised to exercise caution when dealing in the shares of SCAH and SCHC, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITION

Unless the context otherwise requires, capitalised terms used in this joint announcement shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“connected person”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“Cangzhou Real Estate”	滄州南華房地產開發有限公司 (Cangzhou South China Real Estate Development Limited)*, an indirect wholly-owned subsidiary of SCAH
“Effective Date”	the effective date of the Engagement Agreement, i.e. the date on which all conditions precedent set out in the Engagement Agreement are fulfilled
“EGM”	an extraordinary general meeting of SCAH to be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Engagement Agreement and the transactions contemplated thereunder

“Engagement”	the engagement of Cangzhou Real Estate to provide comprehensive management services (including but not limited to design and planning) of the Project on behalf of Tianjin Yuji for a term of twenty-four (24) months from the Effective Date
“Engagement Agreement”	the engagement agreement dated 6 October 2020 and entered into between Tianjin Yuji and Cangzhou Real Estate in respect of the Engagement
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huanghua Project”	a property project located in Huanghua new city* (黃驊新城), Hebei province, the PRC. The project comprises of two (2) pieces of land sites, having a total area of approximately 65,257 sq.m., which have been planned for development of commercial street zones, apartments and office buildings
“Independent Board Committee”	an independent board committee of SCAH Board established by the SCAH Board, comprising two independent non-executive directors of SCAH, namely Mr. Cheng Hong Kei and Mr. Yeung Chi Hang, to advise the Independent Shareholders with respect to the Engagement Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Engagement Agreement and the transactions contemplated thereunder
“Independent Shareholders”	shareholders of SCAH, other than Mr. Ng and his associates who are required to abstain from voting at the EGM pursuant to the GEM Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	17 November 2020 or such other date as Tianjin Yuji and Cangzhou Real Estate may further agree in writing

“Mr. Ng”	Mr. Ng Hung Sang, chairman, executive director of each of SCAH Board and SCHC Board, an ultimate controlling shareholder of each of SCAH and SCHC
“PRC”	the People’s Republic of China, but excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this joint announcement
“Project”	a property development project located in Sicundian town (泗村店鎮) of Wuqing district (武清區) in Tianjin, the PRC, having an area of approximately 58,000 sq.m. for residential development, which is close to Beijing, the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SCAH”	South China Assets Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, and its ordinary shares are being listed and traded on GEM (stock code: 08155)
“SCAH Board”	board of directors of SCAH
“SCAH Group”	SCAH and its subsidiaries
“SCHC”	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)
“SCHC Board”	board of directors of SCHC
“SCHC Group”	SCHC and its subsidiaries
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Yuji”	天津南華譽基房地產開發有限公司(Tianjin South China Yuji Real Estate Development Limited)*, an indirect wholly-owned subsidiary of SCHC
“Tianjin Yuji Group”	Tianjin Yuji and its subsidiaries
“Zhongjie Project”	a residential property project located in Cangzhou Zhongjie Industrial Park District* (滄州市中捷產業園區), Hebei province, the PRC. The project has 4 blocks, having a total gross floor area of approximately 17,300 sq.m.
“%”	per cent.

In this joint announcement, for reference only, the exchange rate between Hong Kong dollars and RMB is at the rate of HK\$100 = RMB88.

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

By Order of the SCAH Board
South China Assets Holdings Limited
南華資產控股有限公司
Ng Yuk Mui Jessica
Executive Director

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

Hong Kong, 6 October 2020

As at the date of this joint announcement, the SCAH Board comprises (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Ms. Ng Yuk Mui Jessica as executive directors; (2) Mr. Ng Yuk Yeung Paul as non-executive director; and (3) Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang as independent non-executive directors.

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

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

This joint announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the website of SCAH at www.scassets.com.