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SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

DISCLOSEABLE TRANSACTION FURTHER DISPOSAL OF THE DEBENTURE AND MEMBERSHIP

On 24 May 2022 (after trading hours), the Vendors entered into the Sales and Purchase Agreement with the Purchaser, pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the Debenture and Membership at the consideration of HK\$4,240,000.

As the applicable percentage ratio(s) for the Second Disposal does not exceed 5% on a stand-alone basis, the Second Disposal is not subject to disclosure requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Second Disposal, when aggregated with the Previous Disposals, exceeds 5% but is less than 25%, the Second Disposal together with the Previous Disposals constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 24 March 2022 in relation to the disposal of the debentures and memberships of the Club.

The Board announces that on 24 May 2022 (after trading hours), the Vendors entered into the Sales and Purchase Agreement with the Purchaser, pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the Debenture and Membership at the consideration of HK\$4,240,000.

SALE AND PURCHASE AGREEMENT

Date: 24 May 2022 (after trading hours)

Parties: First Vendor;
Second Vendor;
Third Vendor; and
Purchaser

to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser is an Independent Third Party.

Asset to be disposed of: the Debenture and Membership

Consideration: HK\$4,240,000

the consideration was agreed after arm's length negotiations between the Vendors and the Purchaser with reference to the current market price of the Debenture and Membership and shall be paid by the Purchaser in the following manner:

- (a) a deposit in the sum of HK\$1,272,000 shall be paid on the date of signing of the Sale and Purchase Agreement; and
- (b) the balance of the consideration in the sum of HK\$2,968,000 shall be paid within five (5) Business Days after the date of receipt of the notification from the Club or the Purchaser (as the case may be) by the Vendors that the approval for the Purchaser's application for the transfer of the Debenture and Membership has been granted by the Club

Completion: receipt of the approval for the Purchaser's application for the transfer of the Debenture and Membership has been granted by the Club

INFORMATION ON THE COMPANY, THE FIRST VENDOR, THE SECOND VENDOR, THE THIRD VENDOR AND THE PURCHASER

The Company

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

The First Vendor

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

The Second Vendor

The Second Vendor is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of a substantial shareholder and director of the Company. It disposed of a number of marina debentures and memberships of the Club to various wholly-owned subsidiaries of the Company, including the First Vendor, in 1993, and acts as a

trustee together with the Third Vendor being a registered owner of all such marina debentures and membership for all such wholly-owned subsidiaries of the Company for facilitating the sale of all such marina debentures and memberships.

The Third Vendor

The Third Vendor is a company incorporated in Hong Kong with limited liability and an Independent Third Party. It is principally engaged in investment holding and in its own name holding a number of debentures and memberships of the Club as a trustee together with the Second Vendor for various subsidiaries and affiliates of the Company for facilitating the sale of all such debentures and memberships.

The Purchaser

The Purchaser is a Hong Kong resident, being an Independent Third Party.

REASONS FOR AND BENEFITS OF THE SECOND DISPOSAL

The Debenture and Membership have been beneficially owned by the Group since 1993 and its carrying value as at 31 December 2021 was about HK\$1,412,000.

As a result of the Second Disposal, the Group is expected to recognize a gain of approximately HK\$2,828,000 (before taxation and without deduction of expenses related to the Second Disposal), which is calculated based on the difference between the carrying amount of the Debenture and Membership as at 31 December 2021 and the consideration of the Second Disposal before any related expenses. Shareholders should note that the actual gain on disposal to be recorded by the Company will depend on the actual book value of the Debenture and Membership as at the date of Completion of the Second Disposal.

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

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

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

LISTING RULES IMPLICATIONS

As the applicable percentage ratio(s) for the Second Disposal does not exceed 5% on a stand-alone basis, the Second Disposal is not subject to disclosure requirements under Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Second Disposal, when aggregated with the Previous Disposals, exceeds 5% but is less than 25%, the Second Disposal together with the Previous Disposals constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

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| “Board” | the board of Directors |
| “Business Day” | a day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are open to the public for general banking business |
| “Club” | The Clearwater Bay Golf and Country Club, which is a golf, marina and country club located at Clearwater Bay, Sai Kung, Hong Kong |
| “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” | has the meaning ascribed to it under the Listing Rules |
| “Debenture and Membership” | a Class A Individual Marina membership (with right to a long lease wet berth) associated with a debenture of nominal value of HK\$72,000 issued by the Club and the exclusive right to use Marina Wet Berth No. 23 at Pier C of the Club |
| “Director(s)” | director(s) of the Company |
| “First Disposal” | the disposal of the debenture and membership of the Club as disclosed in the announcement dated 24 March 2022 of the Company |
| “First Vendor” | Poben Consultants Limited, a company incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

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| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | any person or company who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Previous Disposals” | the Company, through its subsidiaries, disposed of the debentures and memberships of the Club to various purchasers who were all Independent Third Parties (including the First Disposal) for an aggregate consideration of approximately HK\$73,510,000 during the period as set out in Rule 14.22 of the Listing Rules |
| “Purchaser” | Mr. Nesteruk Vladimir, a Hong Kong resident |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 24 May 2022 entered into between and amongst the Vendors and the Purchaser in respect of the sale and purchase of the Debenture and Membership |
| “Second Disposal” | the disposal of the Debenture and Membership by the Vendors subject to and upon the terms and conditions of the Sale and Purchase Agreement |
| “Second Vendor” | Tek Lee Finance And Investment Corporation Limited (德利投資有限公司), a company incorporated under the laws of Hong Kong, is a wholly-owned subsidiary of a substantial shareholder and director of the Company |
| “Shareholders” | the holders of the ordinary shares in the issued share capital of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it under the Listing Rules |
| “Third Vendor” | Burlingame International Company Limited (栢寧頓國際集團有限公司), a company incorporated under the laws of Hong Kong, which is a registered owner of the Debenture and Membership |

“Vendors” the First Vendor, the Second Vendor and the Third Vendor
“%” 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, 24 May 2022

As at the date of this announcement, 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) Mr. Chiu Sin Chun, 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.