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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 DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

On 30 June 2023 (after trading hours), the Vendor as vendor and the Purchaser as purchaser entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell 100% equity interest in the Target Company at the consideration of RMB61,500,000 (equivalent to approximately HK\$68,333,000). Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will not be consolidated into the Company's financial statements.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board announces that on 30 June 2023 (after trading hours), the Vendor as vendor and the Purchaser as purchaser entered into the Sale and Purchase Agreement in respect of the Disposal.

SALE AND PURCHASE AGREEMENT

Date : 30 June 2023

Parties : the Vendor; and the 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 and its ultimate beneficial owner are Independent Third Parties.

Assets to be disposed

100% of the equity interest in the Target Company.

Consideration and payment terms

The consideration of RMB61,500,000 (equivalent to approximately HK\$68,333,000) shall be settled as follows:

- (i) The Purchaser shall pay an amount of RMB12,300,000 (equivalent to approximately HK\$13,667,000) (representing 20% of the consideration) to a party as designated in writing by the Vendor within five (5) business days from the date of the Sale and Purchase Agreement;
- (ii) The Purchaser shall transfer an amount of RMB24,600,000 (equivalent to approximately HK\$27,333,000) (representing 40% of the consideration) to a joint account in the names of the Purchaser and the Vendor opened with a designated bank in the PRC within five (5) business days from the date on which the joint account is opened;
- (iii) The Purchaser shall transfer an amount of RMB24,600,000 (equivalent to approximately HK\$27,333,000) (representing 40% of the consideration) to the joint account on the date upon the availability of all information as required by the relevant industrial and commercial administration authority in the PRC in relation to the change of shareholder, legal representative, directors, supervisor, senior executives and company chops etc.; and
- (iv) The Purchaser shall, among other things, instruct the designated bank in the PRC to transfer the remaining sum from the joint account after payment of all taxes that the Vendor shall be liable to pay resulting from the Disposal to a bank account outside the PRC in the name of the Vendor or to the bank account held by a party as designated in writing by the Vendor if the transfer of the remaining sum to the Vendor's bank account outside the PRC encounters any transferability issue which is out of the Vendor's control within ten (10) business days upon Completion.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to the financial performance of the Property and the carrying value of the Property.

Guarantee

On 30 June 2023, the Company entered into a guarantee agreement with the Vendor and the Purchaser pursuant to which the Company shall bear all liabilities resulting from non-performance or non-observance of any provision under the Sale and Purchase Agreement by the Vendor.

Completion

Completion shall take place upon the Purchaser becomes the registered holder of 100% equity interest in the Target Company. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will not be consolidated into the Company's financial statements.

INFORMATION ON THE TARGET COMPANY AND THE PROPERTY

As at the date of this announcement, the Target Company is a limited liability company incorporated under the laws of the PRC, which is directly wholly-owned by the Vendor, and is principally engaged in investment holding. The land of the Property was acquired by the Vendor in 2002 and the premises as well as its facilities of the Property were erected by the Vendor in 2010. The Property held by the Group is for investment purpose.

Set out below are summaries of certain unaudited financial information of the Target Company for the financial years ended 31 December 2021 and 2022:

	For the financial year ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit before tax	(453)	5,152
(Loss)/Profit after tax	(389)	3,825

The unaudited net assets of the Target Company as at 31 May 2023 was approximately RMB37,125,000 (equivalent to approximately HK\$41,250,000).

INFORMATION ON THE COMPANY, THE VENDOR, THE VENDOR GUARANTOR AND THE PURCHASER

The Company

The Company is an investment holding company. Its principal subsidiaries are engaged in businesses of trading and manufacturing of toys, footwear products and branded ball products; property investment and development; and agriculture and forestry.

The Vendor

The Vendor is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company.

The Vendor Guarantor

The Vendor Guarantor is the Company.

The Purchaser

The Purchaser is a company incorporated under the laws of the PRC. It is principally engaged in equity investment, industrial investment and venture capital businesses. As at the date of this announcement, the Purchaser is ultimately controlled by 昆山濱湖新城集團有限公司, who is an Independent Third Party and a state wholly-owned enterprise established under the laws of the PRC under the direct control of Kunshan City State-owned Assets Supervision and Administration Office* (昆山市政府國有資產監督管理辦公室).

FINANCIAL EFFECTS OF THE DISPOSAL AND INTENDED USE OF PROCEEDS

Subject to review and confirmation by the auditors of the Company, the Group is expected to record a gain of approximately HK\$27,083,000 from the Disposal, which is calculated based on the total consideration to be received by the Group for the Disposal less the net asset value of the Target Company as at 31 May 2023 before all taxes and related expenses in relation to the Disposal.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

The Board considers that the 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 one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the notification and announcement requirements 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:

“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)
“Completion”	completion of the Disposal under the Sale and Purchase Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal by the Vendor of 100% of the equity interest in the Target Company subject to and upon the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Property”	a parcel of land located at Xin Le Road South, Dianshanhu Town, Kunshan City, Jiangsu Province* (江蘇省昆山市澱山湖鎮新樂路南側), the PRC, having a site area of approximately 24,050 square meters and a premises (with facilities) having a gross area of approximately 13,963 square meters is erected thereon, both of which are owned by the Target Company
“Purchaser”	昆山濱湖新城產業科創發展有限公司, a limited liability company incorporated under the laws of the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the equity sale and purchase agreement dated 30 June 2023 entered into between the Vendor and the Purchaser regarding the sale and purchase of 100% of the equity interest in the Target 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”	has the same meaning as ascribed to it under the Listing Rules
“Target Company”	Kunshan Wilken Footwear Company Limited* (昆山匯強鞋業有限公司), a limited liability company incorporated under the laws of the PRC, which is wholly-owned by the Vendor
“Vendor”	Wilken Footwear Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor Guarantor”	the Company
“%”	per cent.

In this announcement, for reference only, the exchange rate between HK\$ and RMB is at the rate of HK\$100 = RMB90.

The English translation of an entity or company’s name in Chinese which is marked with “” is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*

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, 30 June 2023

As at the date of this announcement, the Directors are:

Executive Directors:
Mr. Ng Hung Sang
Ms. Cheung Choi Ngor
Mr. Ng Yuk Yeung Paul

Non-executive Directors:
Ms. Ng Yuk Mui Jessica
Mr. Ng Yuk Fung Peter
Ms. Li Yuen Yu Alice
Mr. Yu Pui Hang

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.