

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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 adviser.

If you have sold or transferred all your shares in **South China Holdings Company Limited** (the “Company”), you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
WHOLLY-OWNED SUBSIDIARIES  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**Elstone Capital Limited**

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Monday, 2 December 2024 at 10:00 a.m. is set out on pages EGM-1 and EGM-2 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, 33rd Floor, 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.

14 November 2024

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## DEFINITIONS

*In this circular, the following expressions shall have the meanings set out below unless otherwise specified in the context:*

“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
“Business Day”	a day (other than Saturday, Sunday, public holiday or any day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” or an “extreme condition 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
“Class A Berths”	designated berths located at the Club for berthing of vessels, and each of such berths limits a vessel’s length as more particularly set out in the section headed “Information of the Target Companies” in the “Letter from the Board” of this circular
“Class A Debentures”	the debentures issued by the Club to its members from time to time upon approval of applications submitted by individuals or companies, and each debenture is a prerequisite for its marina member’s entitlements including the right to use Class A Berth as well as other facilities in the Club
“Class B Berths”	non-designated berths located at the Club for berthing of vessels, and each of such berths limits a vessel’s length of not more than 40 feet
“Class B Debentures”	the debentures issued by the Club to its members from time to time upon approval of applications submitted by individuals or companies, and each debenture is a prerequisite for its marina member’s entitlements including the right to use Class B Berth as well as other facilities in the Club
“Club”	The Clearwater Bay Golf & Country Club

## DEFINITIONS

“Company”	South China Holdings Company Limited 南華集團控股有限公司, 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 sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which shall be a date falling within one (1) Business Day after the fulfilment of the Conditions or such other date as may be agreed by the Parties in writing on which Completion shall take place
“Conditions”	the conditions precedent for Completion under the Sale and Purchase Agreement, and “Condition” means any one of the Conditions
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$185,000,000 being the total consideration for the sale of the Sale Shares
“controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Crystal Hub”	Crystal Hub Limited, a company incorporated in the BVI, which is a wholly-owned subsidiary of SCAH
“Debentures”	Class A Debentures, Class B Debentures and Dry Stack Debentures, and “Debenture” means any one of Class A Debentures, Class B Debentures or Dry Stack Debentures, as the case may be
“Director(s)”	Director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
“Dry Stack”	a large stack located at the Club for stacking up of speedboats and jet skis
“Dry Stack Debentures”	the debentures issued by the Club to its members from time to time upon approval of applications submitted by individuals or companies, and each debenture is a prerequisite for its marina member’s entitlements including the right to use Dry Stack as well as other facilities in the Club

## DEFINITIONS

“Earntrade”	Earntrade 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”	the extraordinary general meeting of the Company to be held and convened for the Independent Shareholders to consider and, if thought fit, approval the Sale and Purchase Agreement and the transactions contemplated thereunder
“Fung Shing”	Fung Shing Group Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Ng
“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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Elstone Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	the Shareholders other than Mr. Ng, Ms. Cheung and their respective associates who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Latest Practicable Date”	8 November 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Long Stop Date”	2 December 2024 (or such other date as the parties to the Sale and Purchase Agreement may agree in writing)

## DEFINITIONS

“Mainland China” or “PRC”	the People’s Republic of China but excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this circular
“Mr. Ng”	Mr. Ng Hung Sang, the controlling Shareholder of the Company, the chairman of the Board and an executive Director of the Company
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, son of Mr. Ng, an executive Director of the Company
“Mrs. Ng”	Ms. Ng Lai King Pamela, spouse of Mr. Ng
“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive Director of the Company and the sole director of the Purchaser
“Ms. Jessica Ng”	Ms. Ng Yuk Mui Jessica, daughter of Mr. Ng, a non-executive Director of the Company
“Parkfield”	Parkfield Holdings Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Ng
“Purchaser”	Splendid Enterprises Limited, a company incorporated in the BVI and is wholly-owned by Mr. Ng
“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 24 October 2024 entered into between and among the Vendor, the Purchaser, the Target Company A, the Target Company B and the Target Company C in respect of the Disposal
“Sale Shares”	the Target Company A Sale Share, the Target Company B Sale Share and the Target Company C Sale Share, and the “Sale Share” means any one of the Sale Shares
“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
“SFO”	Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued share capital of the Company

## DEFINITIONS

“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Target Companies”	the Target Company A, the Target Company B and the Target Company C, and “Target Company” means any one of the Target Companies
“Target Company A”	Poben Consultants Limited, a company incorporated in the BVI and a directly wholly-owned subsidiary of the Vendor
“Target Company A Sale Share”	the one (1) ordinary share in the share capital of the Target Company A, representing 100% of the issued share capital of the Target Company A, to be bought and sold under the Sale and Purchase Agreement
“Target Company B”	Pok Lake Profits Limited, a company incorporated in the BVI and a directly wholly-owned subsidiary of the Vendor
“Target Company B Sale Share”	the one (1) ordinary share in the share capital of the Target Company B, representing 100% of the issued share capital of the Target Company B, to be bought and sold under the Sale and Purchase Agreement
“Target Company C”	Tripstowe Management Limited, a company incorporated in the BVI and a directly wholly-owned subsidiary of the Vendor
“Target Company C Sale Share”	the one (1) ordinary share in the share capital of the Target Company C, representing 100% of the issued share capital of the Target Company C, to be bought and sold under the Sale and Purchase Agreement
“Vendor”	Welbeck Holdings Limited, a company incorporated in the BVI and an indirect wholly-owned subsidiary of the Company
“%”	per cent.



**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*)

***Non-executive Directors:***

Ms. Ng Yuk Mui Jessica  
Mr. Yu Pui Hang

***Independent Non-executive Directors:***

Mr. Kam Yiu Shing Tony  
Ms. Pong Scarlett Oi Lan, BBS, J.P.  
Mr. Wong Chun Tat, J.P.

***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

14 November 2024

*To the Shareholders*

Dear Sir/Madam,

**(1) MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
WHOLLY-OWNED SUBSIDIARIES  
AND  
(2) NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the announcement dated 24 October 2024 of the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.

On 24 October 2024 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) as vendor entered into the Sale and Purchase Agreement with the Purchaser (an associate of a connected person of the Company) as purchaser, pursuant to which



## LETTER FROM THE BOARD

the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK\$185,000,000 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement. The Target Companies are indirect wholly-owned subsidiaries of the Company, which are the beneficial owners of (i) seventeen (17) Class A Debentures (two (2) for corporate member and fifteen (15) for individual member); (ii) twenty-three (23) Class B Debentures (fifteen (15) for corporate member and eight (8) for individual member); and (iii) five (5) Dry Stack Debentures for individual member, all of which are for sales to the public. Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and their financial results will cease to be consolidated in the financial statements of the Group.

The purpose of this circular is to provide you with, among other things, (a) further details of the Disposal; (b) other information as required by the Listing Rules; and (c) notice of convening the EGM.

### SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below:

#### **Date**

24 October 2024 (after trading hours of the Stock Exchange)

#### **Parties**

- (a) the Vendor as vendor;
- (b) the Purchaser as purchaser;
- (c) the Target Company A;
- (d) the Target Company B; and
- (e) the Target Company C

To the best knowledge, information and belief of the Board, having made all reasonable enquiries, the Purchaser is a company incorporated in the BVI with limited liability, which is wholly-owned by Mr. Ng who is a controlling Shareholder and a Director (i.e. a connected person of the Company), and in turn is an associate of Mr. Ng and a connected person of the Company accordingly pursuant to the Listing Rules.

#### **Sale Shares**

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase, the Sale Shares (representing the respective entire issued share capital of each of the Target Companies) at the Consideration.

## LETTER FROM THE BOARD

### Consideration

The Consideration for the Sale Shares is HK\$185,000,000 which shall be satisfied by the Purchaser by way of set-off against the shareholder's loan owing to Mr. Ng or his associates by the Group on a dollar-for-dollar basis upon Completion.

### Basis of the Consideration

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser, having taken into account of, among other things:

- (a) the unaudited total net asset of the Target Companies as at 30 September 2024 being approximately HK\$63,207,000 (the Target Company A: HK\$28,037,000; the Target Company B: HK\$29,720,000 and the Target Company C: HK\$5,450,000);
- (b) the historical selling prices of the Debentures sold by the Group to independent third parties since 2020 as shown in the table below, which gives a benchmark of the value of the Debentures based on the real market data. Based on the information available to the Board, the Club has about 300 Debentures in total (excluding Dry Stack Debentures) and the Group owned 78 Debentures (excluding Dry Stack Debentures) at the time of the acquisition in 1993, representing about 26% of the total number of the Debentures in the Club. A total number of 29 Debentures (excluding Dry Stack Debentures) were sold since 2020 out of the total number of 38 Debentures (excluding Dry Stack Debentures) sold since 1993, thus the Board is of the opinion that the historical sales record of the Debentures since 2020 was representative and the historical transaction price since 2020 could fully reflect the market price;
- (c) the recent asking prices in 2024 of Class A Debentures are ranging from HK\$5,000,000 to HK\$20,000,000; Class B Debentures are ranging from HK\$2,000,000 to HK\$3,000,000; and Dry Stack Debentures are ranging from HK\$1,500,000 to HK\$2,000,000, which are based on the Group's internal estimation by reference to the previous sales and the stock of the Debentures of the Group available in the market as well as the indicative asking prices from independent sales agents; and

## LETTER FROM THE BOARD

- (d) current economic conditions in Hong Kong.

*Table — Average selling price*

	<b>Average selling price since 2020</b> <i>HK\$</i>
Class A Debentures	
— Corporate	9,300,000
— Individual	4,800,000
Class B Debentures	
— Corporate	2,300,000
— Individual	1,400,000
Dry Stack Debentures	
— Individual	1,400,000

In addition, for the Board’s reference and cross-checking purposes, the Board has also considered the valuation of the Debentures as at 30 September 2024 by using the market approach, being approximately HK\$185,000,000 appraised by Ravia Global Appraisal Advisory Limited (“**Ravia**”), an independent valuer. The Board has reviewed the valuation of the Debentures and discussed with Ravia regarding the methodologies adopted for and the basis and assumptions used in arriving at the fair value of the Debentures. During the discussion, the Board understood that the direct comparison approach has been adopted, which consists of historical transaction prices of all thirty-five (35) transactions of the Debentures concluded by the Group since 2020 adjusted by relevant time factor. Moreover, the Debentures do not have open market and are unique as the Debentures are high-end products of which the transaction information (except the indicative asking prices from independent sales agents) is not publicly available. In addition, Ravia was unable to refer to or compare with debentures offered by other clubs due to different locations, entitlements, members and facilities, etc. Ravia has also considered the offerings of comparable, but they are irrelevant to the valuation and the transactions comparable are considered good enough to draw the conclusion of the valuation. Given the foregoing, the Board is of the opinion that the comparables used in the valuation (i.e. the historical transaction prices of all thirty-five (35) transactions of the Debentures concluded by the Group since 2020 adjusted by relevant time factor) are fair and reasonable.

### **Conditions Precedent**

Completion is conditional upon the following Conditions being satisfied (and/or waived by the Purchaser) on or before the Completion Date:

- (a) the passing of the necessary resolutions by the board of directors of the Vendor and the Purchaser approving the Sale and Purchase Agreement and the transactions contemplated thereunder;

## LETTER FROM THE BOARD

- (b) the passing of the ordinary resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM to be convened and held in accordance with the Listing Rules and the applicable laws and regulations;
- (c) the representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement shall remain true, accurate and not misleading in all material respects from the date of the Sale and Purchase Agreement to and inclusive of the Completion Date; and
- (d) all requisite approvals, consents and waivers required to be obtained by the Vendor, the Purchaser and each Target Company in respect of entering into the Sale and Purchase Agreement and the implementation of the transactions contemplated thereunder having been obtained and remaining in full force and effect, with full compliance with all applicable laws and regulations (including but not limited to the Listing Rules).

If any of the Conditions set out in sub-paragraphs (a) to (d) hereinabove has not been satisfied or waived (only the Condition set out in sub-paragraph (c) may be waived) by 5:00 p.m. on the Long Stop Date, then:

- (i) the Vendor and the Purchaser may agree in writing to postpone the Long Stop Date and, if the parties to the Sale and Purchase Agreement agree to postpone the Long Stop Date, then the provisions of the Sale and Purchase Agreement should have applied as if the Long Stop Date were so postponed; or
- (ii) in the absence of occurrence of the event mentioned in sub-paragraph (i) hereinabove, the Sale and Purchase Agreement shall be terminated immediately after the Long Stop Date, pursuant to which all rights and obligations of the Vendor and the Purchaser under the Sale and Purchase Agreement will cease immediately upon termination and none of the parties thereto shall have any further claim or cause of action against any other party.

### **Completion**

Completion shall take place on a date falling on the first (1st) Business Day upon the fulfilment (or the waiver, as the case may be) of the Conditions referred hereinabove, but under no circumstance shall it be later than the Long Stop Date. Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the financial results of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

## LETTER FROM THE BOARD

### INFORMATION OF THE TARGET COMPANIES

The Target Company A is an investment holding company incorporated in the BVI with limited liability and an indirect subsidiary of the Company. As at the date of this circular, the total number of issued share of the Target Company A is one (1) and the Target Company A is wholly and beneficially owned by the Company. The Target Company A beneficially owns seventeen (17) Class A Debentures (two (2) are for corporate members and fifteen (15) are for individual members) of which (i) ten (10) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 45 feet in length; (ii) three (3) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 50 feet in length; (iii) two (2) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 60 feet in length; and (iv) two (2) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 70 feet in length. Other than Class A Debentures as mentioned above, the Target Company A does not hold any assets as at the Latest Practicable Date.

The Target Company B is an investment holding company incorporated in the BVI with limited liability and an indirect subsidiary of the Company. As at the date of this circular, the total number of issued share of the Target Company B is one (1) and the Target Company B is wholly and beneficially owned by the Company. The Target Company B beneficially owns twenty-three (23) Class B Debentures (fifteen (15) are for corporate members and eight (8) are for individual members). Other than Class B Debentures as mentioned above, the Target Company B does not hold any assets as at the Latest Practicable Date.

The Target Company C is an investment holding company incorporated in the BVI with limited liability and an indirect subsidiary of the Company. As at the date of this circular, the total number of issued share of the Target Company C is one (1) and the Target Company C is wholly and beneficially owned by the Company. The Target Company C beneficially owns five (5) Dry Stack Debentures and all such five (5) Dry Stack Debentures are for individual members. Other than Dry Stack Debentures as mentioned above, the Target Company C does not hold any assets as at the Latest Practicable Date.

<b>LETTER FROM THE BOARD</b>
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**FINANCIAL INFORMATION OF THE TARGET COMPANIES**

Set out below is a summary of the unaudited financial information of the Target Companies for the two financial years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 respectively:

**Target Company A**

	<b>For the year ended 31 December</b>		<b>For the nine months ended</b>
	<b>2022</b>	<b>2023</b>	<b>30 September 2024</b>
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before and after taxation and extraordinary items	31,448	(9)	5,280

**Target Company B**

	<b>For the year ended 31 December</b>		<b>For the nine months ended</b>
	<b>2022</b>	<b>2023</b>	<b>30 September 2024</b>
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before and after taxation and extraordinary items	2,449	1,709	(10)

**Target Company C**

	<b>For the year ended 31 December</b>		<b>For the nine months ended</b>
	<b>2022</b>	<b>2023</b>	<b>30 September 2024</b>
	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>	<i>Approx. HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
Profit/(loss) before and after taxation and extraordinary items	547	(9)	412

The unaudited total assets/net asset value of the Target Company A, Target Company B and Target Company C as at 30 September 2024 were approximately HK\$28,037,000, HK\$29,720,000 and HK\$5,450,000, respectively.

## **LETTER FROM THE BOARD**

### **INFORMATION OF THE COMPANY**

The Company is a company incorporated in the Cayman Islands, whose principal business is investment holding. Its principal subsidiaries are engaged in trading and manufacturing of toys and shoes, property investment and development, agriculture as well as 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.

### **INFORMATION OF THE VENDOR**

The Vendor is a company incorporated in the BVI with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, the Vendor is an indirect wholly-owned subsidiary of the Company. Mr. Ng and his associates are the ultimate beneficial owners of the Vendor.

### **INFORMATION OF THE PURCHASER**

The Purchaser is a company incorporated in the BVI with limited liability, which is principally engaged in investment holding. The Purchaser is wholly-owned by Mr. Ng. As at the Latest Practicable Date, Mr. Ng is the ultimate beneficial owner of the Purchaser.

### **FINANCIAL IMPACT OF THE DISPOSAL AND INTENDED APPLICATION OF PROCEEDS**

Upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the profit or loss as well as the assets and liabilities of each of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

Having considered the Consideration and the unaudited total net asset value of the Target Companies as at 30 September 2024, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$63,207,000. The total liabilities of the Group will decrease by approximately HK\$185,000,000. It is estimated that the net assets of the Group will have an increase of approximately HK\$121,793,000, being the net effect of the changes of the total assets and total liabilities of the Group. It is estimated that the Group will record a gain on the Disposal in the amount of approximately HK\$121,793,000, which is calculated based on the Consideration and the unaudited total net asset of the Target Companies as at 30 September 2024 before all taxes and related expenses in relation to the Disposal. The actual amount of gain as a result of the Disposal will be calculated based on the net book value of the Target Companies at Completion, net of any incidental expenses, and subject to be reviewed by the auditors of the Company.

The shareholder's loan (including the principal amount and interests) owing to Mr. Ng or his associates was amounted to approximately HK\$409,221,000 as at 30 September 2024. For illustration purpose only, assuming that the Completion took place on 30 September 2024, the shareholder's loan (including the principal amount and interests) owing to Mr. Ng or his associates would decrease to approximately HK\$224,221,000.

## LETTER FROM THE BOARD

The Group intends to use the net proceeds from the Disposal to settle its liabilities by having the Consideration settled directly by set-off against the shareholder's loan owing to Mr. Ng or his associates by the Group on a dollar-for-dollar basis. Notwithstanding the Group will not receive any cash from the Disposal, its overall financial position will be improved after the Disposal as the Group will be alleviated from the shareholder's loan owing to Mr. Ng or his associates.

### REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Companies are having the beneficial ownership of the Debentures since February 1993. The Group retains eight (8) Dry Stack Debentures which has no intention for sale as at the Latest Practicable Date.

The Group expects that the global economy remains uncertain for a relatively long period resulting from the tense relationships between the United States of America and China as well as the Russia-Ukraine war and wars in Middle East. Moreover, the people's consumption mode in Hong Kong has changed substantially from domestic consumption to consumption in neighborhood cities in Mainland China, which has deepened the impact on the economy of Hong Kong. In addition to the aforesaid unavoidable economic factors, the interest payable under the shareholder's loan owing to Mr. Ng or his associates is also a financial burden of the Group, which continues to affect the profitability of the Group. Furthermore, the sales of the Debentures are not the core businesses of the Group and the holding of the Debentures is not essential for the Group's long-term development. The Disposal will not affect the Group's core business operation/segment. The Disposal would allow the Group to deploy and allocate its resources (both time and manpower) to its profitable core segments. Therefore, for the benefit of the Group, Mr. Ng as the controlling Shareholder of the Company has conditionally agreed to alleviate the Group from the shareholder's loan owing to him or his associates by purchasing the Sale Shares.

Having taken into account of the above, the Board (excluding (1) Mr. Ng and Ms. Cheung who have material interest in the transactions contemplated under the Sale and Purchase Agreement and do not express their opinion); and (2) the independent non-executive Directors who will give their view after taking into consideration of the letter from the Independent Financial Adviser) is of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Ng and Ms. Cheung are considered to have material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder given Mr. Ng is the ultimate beneficial owner of the Purchaser and Ms. Cheung is a common director of the Company and the Purchaser. As such, Mr. Ng, Ms. Cheung, Mr. Paul Ng and Ms. Jessica Ng have abstained from voting on the Board resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder.



## LETTER FROM THE BOARD

### LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal contemplated under the Sale and Purchase Agreement exceed(s) 25%, but all of the applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company, which is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, (1) Mr. Ng and his associates held approximately 68.80% of the total issued share capital of the Company; and (2) the Purchaser is a wholly-owned subsidiary of Mr. Ng who is a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the Purchaser is an associate of Mr. Ng pursuant to Rule 14A.12 of the Listing Rules and therefore a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules. Hence the Disposal constitutes a connected transaction of the Company, which is subject to the reporting, announcement and circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction contemplated under the Sale and Purchase Agreement is required to abstain from voting on the relevant resolution at the EGM. Given (1) the Purchaser is an associate of Mr. Ng who is a connected person of the Company; and (2) Ms. Cheung is the sole director of the Purchaser, Mr. Ng and Ms. Cheung are regarded as having material interests in the Sale and Purchase Agreement and the transactions contemplated thereunder to be proposed at the EGM. Accordingly, Mr. Ng and his associates (namely, Mrs. Ng, Ms. Jessica Ng, Mr. Paul Ng, Fung Shing, Parkfield, Bannock, Earntrade, Crystal Hub and Green Orient) and Ms. Cheung and her associates, holding approximately 69.11% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the relevant resolution(s) at the EGM. To the best of the Directors' knowledge and information, no other Shareholder is required to abstain from voting on the relevant resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby such Shareholder has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his or its Shares to a third party, either generally or on a case-by-case basis.

### NOTICE OF THE EGM

The EGM will be convened for the purpose of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at 10:00 a.m. (Hong Kong time) on Monday, 2 December 2024 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong, or any adjournment thereof is set out on pages EGM-1 and EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested

## LETTER FROM THE BOARD

to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the Company's share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange's Square, 338 King's Road, North Point, Hong Kong as soon as possible and 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 form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed, for the purpose of determining the identity of members who are entitled to attend and vote at the EGM, from Wednesday, 27 November 2024 to Monday, 2 December 2024, both days inclusive, during which period no transfers of Shares will be effected. In order to be eligible to attend and vote at the EGM, all properly completed and duly stamped transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than forty-eight (48) hours before the time appointed for the holding of the EGM or any adjournment thereof.

### GENERAL

The Independent Board Committee, comprising Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P., being all the independent non-executive Directors, has been established to advise and give recommendation to the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder. Elstone Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in that connection.

### RECOMMENDATION

The Board considers the terms of the Sale and Purchase Agreement to be fair and reasonable, and that the entering into of the Sale and Purchase Agreement and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolution in relation to the Disposal and the Sale and Purchase Agreement to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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 the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions as contemplated thereunder:*



**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)**

14 November 2024

*To the Independent Shareholders,*

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
THE ENTIRE ISSUED SHARE CAPITAL OF  
WHOLLY-OWNED SUBSIDIARIES**

We refer to the letter from the Board set out in the circular dated 14 November 2024 of the Company (the “**Circular**”) of which this letter forms part. All capitalized terms used in this letter shall have the same meanings ascribed in the Circular unless otherwise specified in the context herein.

Under the Listing Rules, the Disposal contemplated under the Sale and Purchase Agreement constitutes a major and connected transaction for the Company, therefore, the transactions contemplated under the Sale and Purchase Agreement are subject to the approval of the Independent Shareholders.

We have been appointed by the Board as members of the Independent Board Committee to, among others, advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

We hereby draw your attention to (i) the letter of advice from Elstone Capital Limited, being the Independent Financial Adviser, appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, which has been set out on pages 19 to 31 of the Circular; (ii) the “Letter from the Board” which has been set out on pages 6 to 16 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account of, among others, the advice from Elstone Capital Limited and the terms of the Sale and Purchase Agreement, we consider that (i) although the Disposal is not in the ordinary and usual course of business of the Group, the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) 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. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
**Independent Board Committee**

**Mr. Kam Yiu Shing Tony   Ms. Pong Scarlett Oi Lan, BBS, J.P.   Mr. Wong Chun Tat, J.P.**

*Independent Non-executive Directors*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of the letter of advice from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder.*



14 November 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sir or Madam,

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF WHOLLY-OWNED SUBSIDIARIES**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser 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**”) contained in the circular of the Company to the Shareholders dated 14 November 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 24 October 2024, the Vendor entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital in the Target Companies (i.e. the Sale Shares), at the Consideration of HK\$185,000,000 in accordance with and subject to the terms and conditions of the Sale and Purchase Agreement.

The Disposal constitutes a major and connected transaction for the Company and is therefore subject to reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14 and 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P., all being independent non-executive Directors, has been formed to consider the terms of the Disposal. We, Elstone Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

### **OUR INDEPENDENCE**

Apart from this engagement in respect of the Disposal, we did not have any business relationships with the Group within the past two years from the Latest Practicable Date that could reasonably be regarded as hindrance to our independence. Accordingly, we are considered to be eligible to give independent advice in respect of this Disposal.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date hereof and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. The Directors have confirmed that no material facts have been withheld or omitted from the information provided, opinion expressed, representations made to us or referred to in the Circular and that all information provided, opinion expressed or representations made, to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of any member of the Group or any of their respective subsidiaries and associates.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 1. Information of the Group

The Group is principally engaged in trading and manufacturing of toys and shoes, property investment and development, agriculture as well as forestry businesses.

Set out below is a summary of the consolidated financial information of the Group for the two years ended 31 December 2023 as extracted from the Company's annual report for the year ended 31 December 2023 and for the six months ended 30 June 2024 as extracted from the Company's interim report for the six months ended 30 June 2024 (the "2024IR").

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the six months ended 30 June 2023</b>	<b>For the six months ended 30 June 2024</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	3,813,722	2,887,385	1,137,892	1,168,503
— Trading and manufacturing	3,539,515	2,644,312	1,040,784	1,061,505
— Property investment and development	273,504	240,851	96,410	106,936
— Agriculture and forestry	703	2,222	698	62
Gross profit	571,265	479,357	124,861	152,076
(Loss)/profit for the year/period	65,644	(42,439)	(84,315)	(80,876)

As set out in the above table, the Group recorded total revenue of approximately HK\$2,887.4 million for the year ended 31 December 2023 ("FY2023"), decreased by approximately HK\$926.3 million or 24.3% as compared to that for the year ended 31 December 2022 ("FY2022"). Such decrease was primarily attributable to the decrease in revenue from the trading and manufacturing segment of approximately HK\$895.2 million mainly due to the significant decrease in purchase orders of toys products received from the major customers. These customers stringently placed orders given the overall demand for toys products was adversely affected by the persistently high inflation environment. The Group recorded loss for the year of approximately HK\$42.4 million for FY2023 as compared with profit for the year of approximately HK\$65.6 million for FY2022. Such loss was primarily attributable to (i) the decrease in revenue as discussed above; (ii) increase in finance cost of approximately HK\$61.5 million or 30% mainly due to increase in the Hong Kong Interbank Offered Rate; and (iii) decrease in gain on disposal of debentures of HK\$34.9 million; and such loss for FY2023 was partly offset by the increase in gain on disposals of subsidiaries of HK\$48.4 million recognised during FY2023.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group of approximately HK\$1,168.5 million for the six months ended 30 June 2024 (“**1H2024**”) increased slightly by approximately HK\$30.6 million or 2.7% when compared to that for the six months ended 30 June 2023 (“**1H2023**”). Key customers of the Group continued adopting prudent strategies which kept tempering the overall demands for toys products during 1H2024. Nevertheless, overall gross profits improved by approximately 21.8% as the Group has improved the production efficiency and effective control measures in the trading and manufacturing segment during 1H2024. Loss for the period for 1H2024 decreased by approximately HK\$3.4 million or 4.1% to approximately HK\$80.9 million when compared to 1H2023. Such loss was mainly due to (i) increase in revenue from the trading and manufacturing segment of approximately HK\$20.7 million; and (ii) there was a gain on disposal of subsidiaries of approximately HK\$78.2 million recognised in 1H2023 where there was no gain on disposal of subsidiaries recorded in 1H2024.

Set out below is a summary of the consolidated statement of financial position of the Group as at 31 December 2023 and 30 June 2024 as extracted from the 2024IR.

	<b>As at 31 December 2023</b>	<b>As at 30 June 2024</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(unaudited)
Total assets	13,255,285	13,253,295
Total liabilities	6,965,470	7,179,115
Net assets	6,289,815	6,074,180

The total assets of the Group were approximately HK\$13,255.3 million and HK\$13,253.3 million as at 31 December 2023 and 30 June 2024, respectively. The total assets remained steady with the major assets of the Group comprised of investment properties of approximately HK\$9,427.9 million and HK\$9,322.7 million as at 31 December 2023 and 30 June 2024 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 2023 and 30 June 2024.

The total liabilities of the Group were approximately HK\$6,965.5 million and HK\$7,179.1 million respectively as at 31 December 2023 and 30 June 2024 with the major liabilities of the Group comprised total interest-bearing bank borrowings which amounted to approximately HK\$3,773.2 million and HK\$3,903.9 million as at 31 December 2023 and 30 June 2024 respectively. The total liabilities of the Group remained stable as at 31 December 2023 and as at 30 June 2024 while the gearing ratio of the Group as at 31 December 2023 and 30 June 2024 remained stable at 26.8% and 28.2% respectively. The gearing ratio is computed by comparing the Group’s long term bank borrowings to the Group’s equity. 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 3.4% from approximately HK\$6,289.8 million as at 31 December 2023 to approximately HK\$6,074.2 million as at 30 June 2024.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Information of the Target Companies

The Target Companies comprise Target Company A, Target Company B and Target Company C, all being wholly-owned subsidiaries of the Group.

The Target Company A beneficially owns seventeen (17) Class A Debentures (two (2) are for corporate members and fifteen (15) are for individual members) of which (i) ten (10) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 45 feet in length; (ii) three (3) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 50 feet in length; (iii) two (2) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 60 feet in length; and (iv) two (2) Class A Debentures under which the holders may use Class A Berths for vessels having not more than 70 feet in length.

The Target Company B beneficially owns twenty-three (23) Class B Debentures (fifteen (15) are for corporate members and eight (8) are for individual members).

The Target Company C beneficially owns five (5) Dry Stack Debentures and all such five (5) Dry Stack Debentures are for individual members.

The Class A Debentures, Class B Debentures and Dry Stack Debentures refer to the debentures issued by the Club to its members from time to time upon approval of applications submitted by individuals or companies, and each debenture is a prerequisite for its marina member's entitlements including the right to use Class A Berth, Class B Berth and Dry Stack (as the case may be) as well as other facilities in the Club. Details of the descriptions on the Debentures are set out in the Letter from the Board and the section headed "Definition" in the Circular.

Other than the Debentures as mentioned above, the Target Companies do not hold any assets as at the Latest Practicable Date.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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With reference to the Letter from the Board, set out below is the summary of the unaudited financial information of the Target Companies for the two years ended 31 December 2023 and nine months ended 30 September 2024:

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the nine months ended 30 September 2024</b>
	<i>(approx. HK\$'000)</i>	<i>(approx. HK\$'000)</i>	<i>(approx. HK\$'000)</i>
	(unaudited)	(unaudited)	(unaudited)
<b>Target Company A</b>			
Profit/(loss) before and after taxation and extraordinary items	31,448	(9)	5,280
<b>Target Company B</b>			
Profit/(loss) before and after taxation and extraordinary items	2,449	1,709	(10)
<b>Target Company C</b>			
Profit/(loss) before and after taxation and extraordinary items	547	(9)	412

As discussed with the management of the Group, for the two years ended 31 December 2023 and nine months ended 30 September 2024, the Target Companies did not generate any revenue. The profit before and after taxation and extraordinary items of the Target Companies mainly derived from the gain on disposals of Debentures which were classified as “other income” in the respective management accounts. The unaudited total net asset value of the Target Companies as at 30 September 2024 was approximately HK\$63,207,000. The unaudited total assets and net assets of each of the Target Company A, Target Company B and Target Company C as at 30 September 2024 were both approximately HK\$28,037,000, HK\$29,720,000 and HK\$5,450,000, respectively.

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

The Group is principally engaged in trading and manufacturing of toys and shoes, property investment and development, agriculture as well as forestry businesses.

The Target Companies are having the beneficial ownership of the Debentures since 1993. The Target Companies have been selling the Debentures with the view to realise the value at reasonable price and to utilize the proceeds to improve the financial position and increase the general working capital of the Group. We understood from the management of the Group that the sales of the Debentures are not the ordinary course of businesses of the Group. The Disposal will not affect the Group’s core business operation/segment.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, the Group expects that the global economy remains uncertain for a relatively long period resulting from the tense relationships between the United States of America and China as well as the Russia-Ukraine war and wars in Middle East. Moreover, the people's consumption mode in Hong Kong has changed substantially from domestic consumption to consumption in neighborhood cities in Mainland China, which has deepened the impact on the economy of Hong Kong. In addition, the interest payable under the shareholder's loan owing to Mr. Ng or his associates is a financial burden of the Group, which continues to affect the profitability of the Group. Furthermore, the sales of the Debentures are not the core businesses of the Group and the holding of the Debentures is not essential for the Group's long-term development. The Disposal would allow the Group to deploy and allocate its resources (both time and manpower) to its profitable core segments.

As analysed in the paragraph headed "Information on the Group" above, the Group recorded losses for FY2023 and 1H2024, mainly due to the decrease in revenue from toy manufacturing segment given the decrease in purchase orders from the major customers of toys products. Key customers of the Group adopted prudent ordering strategies which kept tampering the overall demands for the Group's toys products. With reference to the 2024IR, the Group expects that in the second half of 2024, the Group will continue to face significant economic headwinds that are likely to impact its performance. As advised by the management of the Group, to strengthen the Group's financial foundation, it has been consolidating its resources and optimizing the existing facilities to maintain efficiency and cost-effectiveness and exploring new opportunities and business.

As advised by the management of the Group, as at 30 September 2024, the amount of shareholder's loan (including the principal amount and accrued interests thereon) owing to Mr. Ng or his associates by the Group was approximately HK\$409.2 million. The shareholder's loan is unsecured, interest bearing at Hong Kong dollar prime rate per annum and repayable on demand. On 15 December 2023, the Group has obtained a letter from Mr. Ng's associate agreeing not to exercise the right of demand of repayment on the outstanding principal together with all interest accrued thereon until 31 December 2024. For illustration purposes only, assuming that Completion took place on 30 September 2024, the shareholder's loan (including the principal amount and accrued interests thereon) owing to Mr. Ng or his associates would decrease to approximately HK\$224.2 million.

Having considered that (i) the Group's core businesses have been affected by, among other things, economics uncertainties and geopolitical tensions in recent years; (ii) the net proceeds from the Disposal will be used to set-off against the shareholder's loan owing to Mr. Ng or his associates, which in turn will reduce the financial burden of the Group; (iii) the sales of the Debentures are not the core businesses of the Group and the holding of the Debentures is not essential for the Group's long-term development, we are of the view that the Disposal is in line with the overall strategy of the Group. The Disposal allows the Group to better reallocate its financial resources and is in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Principal terms of the Sale and Purchase Agreement

The principal terms of the Sale and Purchase Agreement are set out in the Letter of the Board.

#### *Consideration*

Pursuant to the Sale and Purchase Agreement, the Consideration is HK\$185,000,000, which shall be satisfied by way of set-off against the shareholder's loan owing to Mr. Ng or his associates by the Group on a dollar-for-dollar basis upon Completion.

With reference to the Letter from the Board, the Consideration was determined after arm's length negotiation between the Vendor and the Purchaser, on normal commercial terms having taken into account, among other things,

- (a) the unaudited total net asset of the Target Companies as at 30 September 2024 being approximately HK\$63,207,000;
- (b) the historical selling prices of the Debentures sold by the Group to independent third parties since 2020 (the average selling prices since 2020 of Class A Debentures for corporate members and individual members were HK\$9.3 million and HK\$4.8 million respectively, Class B Debentures for corporate members and individual members were HK\$2.3 million and HK\$1.4 million respectively, and Dry Stack Debentures for individual members was HK\$1.4 million), which gives a benchmark of the value of the Debentures based on the real market data;
- (c) the recent asking prices in 2024 of Class A Debentures are ranging from HK\$5 million to HK\$20 million; Class B Debentures are ranging from HK\$2 million to HK\$3 million; and Dry Stack Debentures are ranging from HK\$1.5 million to HK\$2 million, which are based on the Group's internal estimation by reference to the previous sales and the stock of the Debentures of the Group available in the market as well as the indicative asking prices from independent sales agents; and
- (d) current economic conditions in Hong Kong.

In addition, for the Board's reference and cross-checking purposes, the Board has also considered the valuation of the Debentures as at 30 September 2024 by using the market approach, being approximately HK\$185,000,000 appraised by Ravia Global Appraisal Advisory Limited, an independent valuer.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence purpose, we are given to understand that the Club has about 300 Debentures in total (excluding the Dry Stack Debentures) and the Group owned 78 Debentures (excluding the Dry Stack Debentures) at the time of the acquisition thereof in 1993, representing about 26% of the total number of the Debentures in the Club and a total number of 29 Debentures (excluding the Dry Stack Debentures) were sold since 2020 out of the total number of 38 Debentures (excluding Dry Stack Debentures) sold since 1993 and 6 Dry Stack Debentures were sold since 2020. The Group has been one of the major suppliers/sellers of the Debentures. The transacted price made by the Group for the Debentures since 2020 was representative and can provide a meaningful reference to the then market on the sales price of the Debentures.

We have reviewed the list of sales transactions of the Debentures by the Group to independent third parties since 2020 and the relevant announcements made by the Group. We noted there were a total of 35 sales transactions with independent third parties which were completed during the period from 2020 up to the Latest Practicable Date. We noted that the Consideration for each class and type of Debentures, being Class A Debentures for corporate members, Class A Debentures for individual members, Class B Debentures for corporate members, Class B Debentures for individual members and Dry Stack Debentures for individual members, are determined based on the latest transacted price and the estimated price (where appropriate) of the relevant class/type, which should fairly reflect the market price and imply that the Consideration shall be fair and reasonable, and in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

Based on our discussion with the Company, we are given to understand that there is no official open market for sale and purchase of the Debentures and the Debentures are unique due to its locations (where it is exactly located in the area), its type (whether it is a long lease or short lease) and its nature (whether it is individual or corporate). In this regard, we have independently performed, on a best effort basis, an internet search to check if there is any transacted price of the Debentures but such information is not found in public domain.

In respect of the recent asking prices, we noted the Board has also considered the asking prices of the Debentures in 2024 which were scattered in a wide range.

For the asking price of Class A Debentures, it ranges from HK\$5 million to HK\$20 million, owing to the fact that each of the Class A Debentures has its own right to use designated Class A Berths for vessels having not more than 45 feet, 50 feet, 60 feet and 70 feet in length, as the case may be, as well as the fact that location of the berth is different in the area. As noted from the fact sheet on marina club dated July 2022 on the website of the Club (being the most recent available information provided by the Club in its website), the prices for class A debenture for corporate member and individual member were HK\$1.95 million and HK\$1.3 million respectively. We understood such prices have not included the price for using the berths and required an applicant to wait until such debenture to be offered by Club from time to time which may take months or years. Therefore, the asking prices quoted by various sources discussed above could only serve as a general reference to assess the prices of the Group's Class A Debentures.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the asking price of Class B Debentures and Dry Stack Debentures, as stated in the fact sheet, the prices for class B debenture and dry stack debenture for corporate member and individual member were both HK\$1.95 million and HK\$1.3 million respectively. The Group's historical average selling prices and recent asking prices range are above the prices as stated in the fact sheet of the Club.

Further, the asking prices vary according to the uniqueness of each of the Debentures and these prices quoted by the independent agents only serve a reference for the potential buyer to note the general prices of the Debentures for bargaining purposes. A transaction price of each of the Debentures would be negotiated between the seller and the buyer on an individual basis. In this regard, we are of the view that the asking price available in the public domain is for reference only whilst a transacted price of the relevant Debentures would provide a more solid basis to assess the reasonableness of the Consideration. The Group generally sold the Debentures through independent agents or through the Group's own sources, and the consideration for the historical sales transactions were based on arm's length discussion with the purchasers, on a case by case basis, with reference to the then relevant market sentiment, market information and transacted prices of club membership debentures. Accordingly, the transacted prices made by the Group to the independent third parties provided a reasonable reference to determine the Consideration.

Given that (i) the Group owned a large portion of the Debentures and has been an active market player and representative in the sales of the same in recent years, (ii) the Debentures have no open market and are unique, (iii) the Group's historical transaction prices were negotiated on arm's length basis and agreed between willing sellers and willing buyers who were independent third parties, (iv) the Consideration for each class/type of Debentures are determined based on the latest transacted price and the estimated price (where appropriate) of the relevant class/type, we concur with the Board that historical sales records of the Debentures since 2020 could reasonably serve as a reference for determining the Consideration.

We noted that Board has also considered the valuation of the Debentures as at 30 September 2024 for cross checking purpose in determining the Consideration. The valuation, being approximately HK\$185,000,000 (the "**Valuation**"), was appraised by Ravia Global Appraisal Advisory Limited, an independent valuer (the "**Valuer**"). In this respect, we reviewed and enquired into (i) the terms of engagement of the Valuer; (ii) the Valuer's qualification in relation to preparation of the Valuation; (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. Based on our review and interview with the Valuer, we are satisfied with the terms of engagement as well as their qualification for preparation of the Valuation. The Valuer also confirmed that they are independent to the Group, the Purchaser and their respective associates.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Valuation was prepared by the Valuer by adopting market approach. We understand that the common valuation approaches are market approach, income approach and cost approach. As confirmed with the Valuer, 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 recurring income has been generated from the Debentures. On the other hand, the adoption of the cost approach was also not appropriate because it could not reflect reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional and economic obsolescence. The Valuer has applied market approach to estimate the market value of the Debentures, under which the direct comparison approach has been adopted after considering the average price of each class/type of the Debentures of all 35 transactions of the Debentures conducted by the Group since 2020 to the Latest Practicable Date (which the Valuer considered the number of transactions is representative for valuation purpose) and the estimated price of the Debentures (where appropriate), adjusted by relevant time factor by adopting the change in consumer price index for each year since 2020.

We understood from the Valuer that the Debentures do not have an open market and are unique as the Debentures are high-end products of which the transaction information (except the indicative asking prices from independent sales agents) is not publicly available, and the Valuer was unable to refer to or compare with debentures offered by other clubs due to different locations, members' benefits/entitlements and facilities. In this respect, in addition to our independent internet search performed as mentioned above where no information on transaction prices of the Debentures could be found in public domain, we also made independent enquiries with agents which provide services in buying and selling of club memberships and are given to understand that the debentures of various clubs are different due to different locations, types/nature of the debentures, members' benefits and facilities and no transacted price of the Debentures was disclosed to us. To this end, we consider that the Valuer, making reference to all 35 transactions as an adequate sample size, is reasonable to prepare the Valuation. As to the adjustments made by the Valuer with regard to the time factor, we are given to understand from the Valuer that it is a common practice for the valuer to adjust a historical transacted price to a current valuation of an asset in the valuation process according to the relevant consumer price index during the relevant period concerned. Therefore, we consider the Valuation is fair and reasonable for the Company to make reference to determine the Consideration.

Overall, given that (i) the Target Companies' principal assets are the holding of beneficially ownership of the Debentures; (ii) the Group has owned a large portion of the Debentures and has been an active market player in the sales of Debentures with a proven track record of 35 completed sales transactions with independent third parties in the recent four years, which are fair and representative sample size from the Independent Financial Adviser's perspective and the historical transaction prices (which were the sales prices agreed between the then willing sellers and willing buyers) could fairly reflect the market prices as explained above; and (iii) it is reasonable for the Company to use the Valuation for reference and cross checking purposes in determining the Consideration, we are of the view that the Consideration is fair and reasonable as a whole.

**5. Financial impact of the Disposal and intended application of proceeds**

With reference to the Letter of the Board, upon Completion, the Target Companies will cease to be subsidiaries of the Company, and the profit or loss as well as the assets and liabilities of each of the Target Companies will no longer be consolidated into the consolidated financial statements of the Group.

*Earnings*

It is estimated that the Group will record an one-off gain on the Disposal in the amount of approximately HK\$121,793,000, which is calculated based on the Consideration and the unaudited total net asset of the Target Companies as at 30 September 2024 before all taxes and related expenses in relation to the Disposal. The actual amount of gain as a result of the Disposal will be calculated based on the net book value of the Target Companies at Completion, net of any incidental expenses, and subject to be reviewed by the auditors of the Company.

*Assets and liabilities*

Having considered the Consideration and the unaudited total net asset value of the Target Companies as at 30 September 2024, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK\$63,207,000. The total liabilities of the Group will decrease by approximately HK\$185,000,000. It is estimated that the net assets of the Group will have an increase of approximately HK\$121,793,000, being the net effect of the changes of the total assets and total liabilities of the Group.

*Liquidity and working capital*

The Group intends to use the net proceeds from the Disposal to settle its liabilities by having the Consideration settled directly by set-off against the shareholder's loan owing to Mr. Ng or his associates by the Group. Notwithstanding the Group will not receive any cash from the Disposal, its overall financial position will be improved after the Disposal as the Group will be alleviated from the shareholder's loan owing to Mr. Ng or his associates and that it will reduce the financial burden on interest payable on the shareholder's loan.

It should be noted that the aforementioned analyses are for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Closing of the Disposal.



**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

**OPINION AND RECOMMENDATION**

Having considered the above, in particular, (i) the Disposal is in line with the Group's overall strategy to focus on its main businesses and to better utilize the financial resources, (ii) the Consideration is fair and reasonable, and (iii) there would be positive financial impact on the Group as a result from the Disposal, hence, we are of the view that although the Disposal is not conducted in the ordinary and usual course of business of the Group, the Disposal is on normal commercial terms, and the terms of the Sale and Purchase Agreement and the Disposal are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the Disposal, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**ELSTONE CAPITAL LIMITED**  
**Fanny Lee**  
*Managing Director*

*Ms. Fanny Lee is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Elstone Capital Limited to carry out type 6 (advising on corporate finance) regulated activity under the SFO and has over 25 years of experience in corporate finance industry.*

**FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Company for the years ended 31 December 2021, 2022 and 2023 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2024 together with the relevant notes thereto are disclosed in the following documents which have been published on both the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.scholding.com](http://www.scholding.com)). Please refer to the hyperlinks as stated below:

- pages 76 to 193 of the annual report of the Company for the year ended 31 December 2021 published on 25 April 2022  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500871.pdf>)
- pages 81 to 199 of the annual report of the Company for the year ended 31 December 2022 published on 24 April 2023  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400886.pdf>)
- pages 81 to 195 of the annual report of the Company for the year ended 31 December 2023 published on 23 April 2024  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0423/2024042300565.pdf>)
- pages 1 to 13 of the interim report of the Company for the six months ended 30 June 2024 published on 12 September 2024  
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0912/2024091200477.pdf>)

**STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 September 2024, the Group had the following indebtedness:

**Indebtedness**

		<i>HK\$'000</i>
<b>Bank and other borrowings</b>		
Secured bank loans	<i>(i) &amp; (ii)</i>	3,474,884
Unsecured bank loans	<i>(iii)</i>	508,830
Amount due to related parties	<i>(iv)</i>	630,191
Amount due to non-controlling shareholders of subsidiaries of the Company	<i>(v)</i>	10,801
Lease liabilities	<i>(vi)</i>	<u>306,108</u>
Total		<u><u>4,930,814</u></u>

- (i) As at 30 September 2024, the Group's secured bank loans comprised of:
- (a) secured bank loans of approximately HK\$2,968,088,000 which were secured by the Group's investment properties situated in Hong Kong and Mainland China;
  - (b) secured bank loans of approximately HK\$302,066,000 which were secured by the Group's ownership interests in leasehold land and buildings;
  - (c) secured bank loans of approximately HK\$157,142,000 which were secured by the Group's completed properties for sale; and
  - (d) secured bank loans of approximately HK\$47,588,000 secured by the Group's bank deposits.
- (ii) As at 30 September 2024, the Group's secured bank loans comprised of approximately HK\$3,409,614,000 which were guaranteed and approximately HK\$65,270,000 which were unguaranteed.
- (iii) As at 30 September 2024, the Group's unsecured bank loans of approximately HK\$508,830,000 were guaranteed.

(iv) *Amount due to related parties*

The amounts due to related parties amounted to approximately HK\$630,191,000 were unsecured and unguaranteed.

(v) *Amount due to non-controlling shareholders of subsidiaries of the Company*

The amounts due to non-controlling shareholders of subsidiaries of the Company amounted to approximately HK\$10,801,000 were unsecured and unguaranteed.

(vi) *Lease liabilities*

As at the close of business on 30 September 2024, the total unaudited lease liabilities of the Group amounted to approximately HK\$306,108,000. Certain lease liabilities of approximately HK\$190,535,000 were secured by rental deposits and unguaranteed, and the lease liabilities of approximately HK\$115,573,000 were unsecured and unguaranteed.

**Contingent liabilities**

A subsidiary of the Company in the PRC provided guarantees to certain financial institutions in an aggregate amount of approximately HK\$191,429,000 on behalf of independent purchasers of the Group's properties held for sale in the PRC in relation to which the related premises ownership certificates had not been issued as at 30 September 2024. The said guarantees would be released upon the issuance of the premises ownership certificate to those buyers.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, normal trade and other payables and contract liabilities, at the close of business on 30 September 2024, the Group did not have (a) any debt securities issued and outstanding, and authorized or otherwise created but unissued ; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

For the purpose of this statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing as at 30 September 2024.

**SUFFICIENCY OF WORKING CAPITAL**

The Directors are of the opinion that, taking into account of the internal resources and banking facilities available to the Group, the Group will have sufficient working capital for at least twelve (12) months from the date of this circular.

**MATERIAL ADVERSE CHANGES**

Up to the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2023, being the date to which the latest audited consolidated financial statements of the Group were made up.

**TRADING AND FINANCIAL PROSPECTS**

The principal business segments of the Group are trading and manufacturing, property investment and development, and agriculture and forestry.

Surrounded by a number of international factors including high interest rates, inflationary pressures and tightening of monetary policies, the global economic environment becomes unpredictable. Geopolitical tensions like the relationships between the United States of America and China, the Russia-Ukraine war and the Israeli-Palestinian conflict continue casting uncertainties on the business environment. Recent development including the interest rate cuts of the United States of America and Mainland China's economic stimulus package for markets can help relieve economic slowdown pressures and bolster the economic recovery. The Group will adhere to its cautious approach and stay close to the changes in economic and monetary environment and take action proactively to seize business opportunities.

For trading and manufacturing sector, the Group continues to proactively pursue potential new customers, strive to control its costs by streamlining the supply chain and increase its production capacities both in Guangxi, the PRC and Vietnam, to strengthen the Group's foundations for sustainable growth and resilience. The new plant located in Hai Duong of Vietnam has started production in the third quarter of 2024. It is expected to generate revenue starting from early 2025. The Group equips itself to gain competitive edge over its competitors in the challenging business environment.

For property investment and development sector, the Group continues to deploy its leasing strategy by diversifying its tenant portfolio in response to the changing environment and anticipated market recovery. It is expected that the economic and monetary policies introduced by the central government will help stimulate the household consumption and retail spending which will enhance the business atmosphere. By comparing with the leasing market, the real estate market in Mainland China will continue to be competitive and challenging. The Group is cautiously optimistic on its sales and rental contributions, in particular, the recent policies launched by the central government for building up the consumer confidence in Mainland China.

For agriculture and forestry sector, the Group continues to explore plantation opportunities of high profit margin species and focus on utilisation of resources and cost control for improving the operating results of this segment.

Looking forward, the Group will strive to improve profitability by focusing its resources to its profitable core segments in pursuit of sustained and stable growth. On the other hand, The Group will revisit the business plan and take proactive approach in response to the progress of the development plan.

## 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 executive's interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and 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 required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules were as follows:

#### *Long positions in ordinary shares of the Company*

Name of Director(s)	Number of Shares held			Total number of Shares held	Approximate percentage of shareholding to total issued ordinary 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	—	—	41,000,000	0.31%
Mr. Paul Ng	171,989,238	—	—	171,989,238	1.30%
Ms. Jessica Ng	170,700,000	—	—	170,000,000	1.29%

*Long positions in ordinary shares of associated corporation*

Name	Name of associated corporation	Number of ordinary shares held by controlled corporation	Approximate percentage of shareholding to total issued ordinary shares (Note 1)
Mr. Ng	Primer 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. Mrs. 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 are all 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 SCAH, 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 executive of the Company or any of their spouses or children under eighteen (18) 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 the Latest Practicable Date.

**(b) Substantial Shareholders and other persons’ interests in the 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	Number of Shares held			Total number of Shares held	Approximate percentage of shareholding to total issued ordinary shares (Note 1)
	Beneficial interests	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 Shing	2,124,792,202	—	—	2,124,792,202	16.07%
Parkfield	2,020,984,246	—	—	2,020,984,246	15.29%
Mrs. 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 the 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. Mrs. Ng, who held 613,214,065 Shares directly, is the spouse of Mr. Ng. By virtue of the SFO, Mrs. 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 executive's 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 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 2023 (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

According to the Listing Rules, the following Directors have interests in the following business which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

<b>Businesses which are considered to compete or likely to complete with the businesses of the Group</b>			
<b>Name of Director</b>	<b>Name of entity</b>	<b>Description of businesses</b>	<b>Nature of interest of the Director in the entity</b>
Mr. Ng	SCAH	Property investment and development	Director
Ms. Cheung	SCAH	Property investment and development	Director
Mr. Paul Ng	SCAH	Property investment and development	Director
Ms. Jessica Ng	SCAH	Property investment and development	Director

The Company mainly focuses on the larger scale property investment and development projects while SCAH seeks to undertake property development projects in small to medium size.

Also, the Board comprises eight (8) Directors, including three (3) executive Directors, two (2) non-executive Directors and three (3) independent non-executive Directors. In the circumstances where the common directors are required to abstain from voting due to potential conflicts of interest, the non-common Director(s) including independent non-executive Directors will make their business judgment for the decision making process of the Board (if necessary).

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors or his or her respective close associates (has the meaning ascribed to it under the Listing Rules) was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group other than those businesses to which the Director 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 (1) year without payment of compensation (other than statutory compensation).

## 6. LITIGATION

### (i) Against Nanjing Skytech Co., Limited and Others

#### *Case on infringement of copyrights*

Reference is made to the announcement made by the Company dated 5 December 2016 in relation to the litigation in the People's Republic of China ("China") concerning infringement of copyrights of certain computer software belonging to Nanjing South China Skytech Technology Co., Limited (南京南華擎天資訊科技有限公司) ("**South China Skytech**").

On 31 January 2000, Janful Limited, an indirect wholly-owned subsidiary of the Company, and Nanjing Skytech Co., Limited (南京擎天科技有限公司) ("**Nanjing Skytech**") entered into a joint venture agreement to set up South China Skytech to engage, mainly, in software development, research, sales and after-sales service, system integration and other related electronic business.

In or about 2003, business of South China Skytech further deteriorated and suffered serious loss. Upon investigations, it was found that Nanjing Skytech illegally transferred all the computer software belonging to South China Skytech ("**Computer Software**") for its own use and registered the ownership of the copyrights of the Computer Software under its own name or under the name of Nanjing Skytech Software Technology Co., Limited (南京擎天軟件科技有限公司) ("**Skytech Software**"), rendering South China Skytech unable to continue its business. On the other hand, the assets and profits of Nanjing Skytech continued to increase and eventually Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司) ("**Sinosoft**"), the parent company of Nanjing Skytech, was listed on the Stock Exchange in 2013 (stock code: 1297).

South China Skytech commenced legal proceedings in Jiangsu High People's Court (the "**Jiangsu High Court**") against, inter alia, Nanjing Skytech seeking the Jiangsu High Court to determine that the ownership of the copyrights of a total of 31 pieces of Computer Software registered under the names of Nanjing Skytech and

Skytech Software belong to South China Skytech; and that Nanjing Skytech pay South China Skytech damages in the sum of RMB210,400,000 (to be assessed) for infringement of copyrights of the Computer Software.

On 28 November 2016, the Jiangsu High Court delivered its first instance judgment on the Computer Software copyrights ownership. The Jiangsu High Court determined that during the period from March 2000 to March 2003, Nanjing Skytech basically had no employees. Not only that, before 2002, Nanjing Skytech had no fixed assets and therefore it did not have the necessary means to develop any software. The development of the Computer Software was mainly relied on South China Skytech's manpower and physical technology capability. The Jiangsu High Court also determined that Nanjing Skytech and Skytech Software had exploited South China Skytech's physical technology capability to develop the Computer Software and registered the ownership of the copyrights of the Computer Software under their respective names. Such actions did not comply with the basic principles of copyright laws. The ownership of the copyrights of a total of 13 pieces of Computer Software was held to belong to South China Skytech.

All parties in the said infringement of copyrights case have appealed to the Supreme People's Court of China. The Supreme People's Court of China issued a ruling on 26 October 2018 which revoked the first-instance judgment and sent the case back to the Jiangsu High Court for retrial.

After holding a pre-trial conference on 31 July 2019, the Jiangsu High Court conducted a hearing in relation to the retrial of the case on 22 October 2019. Nanjing Skytech challenged the presiding judge at the beginning of the trial. The Jiangsu High Court rejected the request of challenge for untenable reason, and held that during more than two-and-a-half months of the pre-trial proceedings prior to the establishment of the trial, the two parties had completed numerous written exchanges of cross-examination and arguments, and Nanjing Skytech had never challenged the presiding judge, but did so at the time of the trial, which was an open violation of good faith lawsuit.

The Company considers that Nanjing Skytech has seriously violated the principle of good faith, and was actually a shell company, basically with no employees, no office base and no capital. It had no means whatsoever to develop any computer software. Therefore, the Company considers that the remaining 18 pieces of Computer Software were also developed using the manpower and physical technology capabilities of South China Skytech and therefore the ownership of the copyrights of the remaining Computer Software should also belong to South China Skytech. The Company will explore every possible course of action to claim for the ownership of the remaining 31 pieces of Computer Software.

In addition, it is noted that Sinosoft had disclosed in its prospectus dated 27 June 2013 of its alleged ownership of certain computer software. The Company considers that most of the computer software was also subsequently developed from the Computer Software belonging to South China Skytech. The Company will

explore every possible course of action to claim against Nanjing Skytech and/or Sinosoft for infringement of copyrights and to seek an injunction prohibiting Nanjing Skytech and/or Sinosoft to continue to sell and/or use such computer software.

On 27 March 2023, the Jiangsu High Court ruled that the ownership of the copyrights of 3 pieces of Computer Software belonged to South China Skytech. South China Skytech appealed against the ruling on 15 April 2023. It is currently pending hearing of the court.

*Case on liability dispute related to damaging the interests of the Company*

Reference is made to the announcement of the Company dated 20 July 2016 in relation to the final judgment made by the Jiangsu High Court against Nanjing Skytech, Ms. Xin Yingmei, Mr. Wang Xiaogang and Mr. Zhang Hong (the “**Defendants**”) who had breached the non-competition obligation under China’s Company Law and were liable to pay all the gain therefrom to South China Skytech as follows:

1. Ms. Xin Yingmei, Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall pay RMB22,533,377.09 to South China Skytech;
2. Ms. Xin Yingmei shall pay RMB4,392,329.95 to South China Skytech. Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment;
3. Mr. Wang Xiaogang shall pay RMB691,859.56 to South China Skytech. Ms. Xin Yingmei, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment; and
4. Mr. Zhang Hong shall pay RMB288,274.85 to South China Skytech. Ms. Xin Yingmei, Mr. Wang Xiaogang and Nanjing Skytech shall be jointly liable to the payment.

The Jiangsu Immediate People’s Court had frozen a bank account held by Nanjing Skytech with a total sum of approximately RMB28,000,000 in February 2017. As all parties have appealed to the Supreme People’s Court of China for retrial, the Supreme Court remitted the case back to the Jiangsu High Court for retrial on 8 April 2019. The Jiangsu High Court accepted the case on 13 June 2019. Subsequent to the hearing of the case on 21 May 2020, the Jiangsu High Court made mediation arrangements on 1 April 2021 for the two parties to resolve the matter but unsuccessful, and the case is pending for judgement.

On 18 October 2024, the Jiangsu High Court made a final judgment on the case and upheld the original judgment, that is, Ms. Xin Yingmei, Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech are liable to South China Skytech the amount of damages awarded a total of approximately RMB28,000,000.

**(ii) Case on infringement of land situated at Tianjin Binhai New District**

In April 1993, World Right Investments Limited (環威投資有限公司) (“**World Right**”), an indirect wholly-owned subsidiary of the Company, and Tianjin Tangu Property Development Company Limited (天津塘沽房地產開發股份有限公司) (currently known as Binhai Investment Group Holding Company Limited (濱海投資集團股份有限公司) (“**Binhai Investment Group**”)) formed a joint venture company in China known as Tianjin South China Property Development Company Limited (天津南華房地產開發有限公司) (“**South China Property**”). World Right holds 51% equity interest in South China Property.

In June 1993, World Right and Binhai Investment Group entered into a joint development agreement (the “**Development Agreement**”). It was agreed under the Development Agreement, inter alia, that World Right and Binhai Investment Group shall jointly develop a piece of land situated at Tianjin Binhai New District with an area about 500,000 sq.m. (the “**Involved Land**”) and World Right shall pay RMB10,400,000 in cash to increase the capital investment in South China Property. World Right duly paid the capital investment of RMB10,400,000 which had been used for formation of the Involved Land. Subsequently, Binhai Investment Group failed to perform the Development Agreement, did not recognise that World Right and Binhai Investment Group had joint right to develop the Involved Land, and maliciously transferred the Involved Land to Tianjin Cheng Tou Binhai Property Company Limited (天津城投濱海房地產經營有限公司) (“**Cheng Tou Binhai**”), a company invested in and established by it and the government.

In June 2023, World Right commenced legal proceedings in Tianjin No. 3 Intermediate People’s Court against Binhai Investment Group and Cheng Tou Binhai, demanding the termination of the Development Agreement, and urged to order the defendants to compensate for losses of approximately RMB366,000,000 (subject to judicial evaluation).

On 17 May 2024, the court concluded the first instance decisions dismissing the Company’s claims, and the Company immediately filed an appeal. The appeal court conducted hearings on 18 July 2024 and it is currently pending rulings by the appeal court.

**(iii) Case on arbitration related to Nansha land**

In March 2021, Brightson Investments Limited, an indirect wholly-owned subsidiary of the Company, filed an application for arbitration with China International Economic and Trade Arbitration Commission in relation to failure of the Villagers’ Committee of Datang Village, Huangge Town, Nansha District, Guangzhou (the “**Datang Villagers’ Committee**”) to transfer the land under agreement to it, demanding that the Datang Villagers’ Committee compensate for the losses in accordance with the law.

The arbitral tribunal conducted hearings on 28 February 2023 and 18 December 2023 respectively.

Based on strategic consideration, the Company filed an application with the arbitral tribunal to withdraw the arbitration case on 18 April 2024.

Apart from the above, 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 Sale and Purchase Agreement, 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.

## 8. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's interim report for the six months ended 30 June 2024 published in September 2024, 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 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following set out the qualification of the expert who has given opinion or advice, which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Elstone Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the expert 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 2023 (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 expert had given and has not withdrawn its 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 it appears.

#### 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, 33rd Floor, 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](http://www.hkexnews.hk)) and the Company ([www.scholding.com](http://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 contract 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. Qualification and Consent of Expert" in this appendix;
- (d) the letter from the Board, the text of which is set out on pages 6 to 16 in this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 17 and 18 in this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 31 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 (the “**EGM**”) 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 Monday, 2 December 2024 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendments as an ordinary resolution:

#### ORDINARY RESOLUTION

“**THAT**

- (a) the sale and purchase agreement dated 24 October 2024 (the “**Sale and Purchase Agreement**”), a copy of which has been produced at the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification, entered into between and among Welbeck Holdings Limited (the “**Vendor**”) as vendor; Splendid Enterprises Limited (the “**Purchaser**”) as purchaser; Poben Consultants Limited (the “**Target Company A**”); Pok Lake Profits Limited (the “**Target Company B**”); and Tripstowe Management Limited (the “**Target Company C**”) (the Target Company A, the Target Company B and the Target Company C are collectively referred to as the “**Target Companies**”), under which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Target Companies at the total consideration of HK\$185,000,000 in accordance with the terms and subject to the conditions therein as disclosed in the circular of the Company dated 14 November 2024 and the transactions contemplated under the Sale and Purchase Agreement be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the director(s) of the Company be and is/are hereby authorized to do all such acts and things and execute all such documents (including under seal) which he/she/they consider necessary, appropriate, desirable or expedient to implement and give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variations, amendments, waivers or matters thereto as are, in his/her/their opinion, in the interests of the Company and its shareholders as a whole.”

By order of the board of directors  
**South China Holdings Company Limited**  
南華集團控股有限公司  
**Cheung Choi Ngor**  
*Executive Director*

Hong Kong, 14 November 2024



## NOTICE OF THE EGM

*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 Wednesday, 27 November 2024 to Monday, 2 December 2024, 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, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 26 November 2024.
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, 33rd Floor, 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 EGM 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 EGM 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.
5. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal or "extreme conditions" announced by the Government of the Hong Kong Special Administrative Region is/are in force at 8:00 a.m. on the date of the EGM, the EGM will be automatically postponed or adjourned. The Company will publish an announcement on the Company's website ([www.scholding.com](http://www.scholding.com)) and The Stock Exchange of Hong Kong Limited's website ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify shareholders of the Company of the date, time and venue of the rescheduled EGM.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
7. As at the date of this notice, 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. Yu Pui Hang

**Independent Non-executive Directors:**

Mr. Kam Yiu Shing Tony  
Ms. Pong Scarlett Oi Lan, BBS, J.P.  
Mr. Wong Chun Tat, J.P.