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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00619)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENANCY AND PROPERTY MANAGEMENT AGREEMENTS

TENANCY AND PROPERTY MANAGEMENT AGREEMENTS

The Board announces that, 南京華鑫 (as lessee), an indirect wholly-owned subsidiary of the Company, entered into (i) Tenancy Agreements with 南京微分 and 南京電力 (as lessors), both of them are indirect wholly-owned subsidiaries of SCHC, respectively; (ii) Property Management Services Agreement with 南京微分; and (iii) Consolidated Management Services Agreements with 南京世豐 and 麗景南京, both of them are indirect wholly-owned subsidiaries of SCHC, respectively in respect of the leasing of the Premises in the PRC.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Ng is an executive director, the chairman of the board of directors and a Substantial Shareholder of each of the Company and SCHC, and holds more than 30% beneficial interests in SCHC, and hence is a connected person of the Company. As such, the transactions contemplated under the Tenancy and Property Management Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the Tenancy and Property Management Agreements are of similar nature and they have been entered into within the same 12-month period, the Company has aggregated the rental and management services fees paid/payable thereunder as if the transactions contemplated thereunder were one transaction. The applicable percentage ratio (as defined in the Listing Rules) calculated with reference to the annual cap for the Tenancy and Property Management Agreements exceeds 0.1% but is below 5% of the applicable percentage ratios (as defined under the Listing Rules) (other than the profits ratio), the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including the independent finance advice) and independent Shareholders' approval requirements under the Listing Rules.

TENANCY AND PROPERTIES MANAGEMENT AGREEMENTS

The Board announces that, 南京華鑫 (as lessee), an indirect wholly-owned subsidiary of the Company, entered into (i) Tenancy Agreements with 南京微分 and 南京電力 (as lessors), both of them are indirect wholly-owned subsidiaries of SCHC, respectively; (ii) Property Management Services Agreement with 南京微分; and (iii) Consolidated Management Services Agreements with 南京世豐 and 麗景南京, both of them are indirect wholly-owned subsidiaries of SCHC, respectively in respect of the leasing of the Premises in the PRC, details of which are as follows:

Premises leased	Lessor	Lessee	Management services provider	Area (sq.m.)	Term	Monthly rent (RMB)	Monthly consolidated management services fee (RMB)	Total monthly rental and consolidated management services fee (RMB)	Property management services fee (RMB)	Total annual rental, property management services fee and consolidated management services fee (RMB)
Tenancy Agreement A, Property Management Services Agreement and Consolidated Management Services Agreement A										
Premises A	南京微分	南京華鑫	南京微分/南京世豐	200	1 July 2018 to 30 June 2020 (both days inclusive)	7,665	5,110	12,775	1,304,728	1,458,028
Tenancy Agreement B and Consolidated Management Services Agreement B										
Premises B	南京微分	南京華鑫	南京世豐	100	28 August 2018 to 27 August 2020 (both days inclusive)	25,550 ¹	17,033	42,583	-	510,996
Tenancy Agreement C and Consolidated Management Services Agreement C										
Premises C	南京微分	南京華鑫	南京世豐	472	28 August 2018 to 27 August 2020 (both days inclusive)	120,596 ²	80,397	200,993	-	2,411,916
Tenancy Agreement D and Consolidated Management Services Agreement D										
Premises D	南京電力	南京華鑫	麗景南京	366	1 July 2018 to 30 June 2019 (both days inclusive)	13,715	3,429	17,144	-	205,728
Total:						167,526	105,969	273,495	1,304,728	4,586,668
Approximately HK\$						195,297	123,536	318,833	1,521,017	5,347,013

¹ In the event that the turnover of the business of the lessee in any specific calendar month during the lease is over RMB354,858, the lessee shall be required to pay the rent equivalent to 12% of the turnover of that specific month as rent.

² In the event that the turnover of the business of the lessee in any specific calendar month during the lease is over RMB1,674,944, the lessee shall be required to pay the rent equivalent to 12% of the turnover of that specific month as rent.

The rentals and consolidated management services fees in respect of the Premises A to C are paid/payable in cash on a quarterly basis.

The property management services fees in respect of the Premises A and the rental and consolidated management services fees in respect of the Premises D are paid/payable in cash on a one-off basis.

No option to renew upon expiration of each of the Tenancy and Property Management Agreements.

ANNUAL CAP

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Tenancy and Property Management Agreements are aggregated for continuing connected transaction classification purposes.

The cap for the rental and property management services fees paid/payable by the Group for the period from the respective commencement date of each of the Tenancy and Property Management Agreements to 31 December 2018, for the financial year ending 31 December 2019 and for the financial year ending 31 December 2020 are proposed to be RMB2,600,000 (approximately HK\$3,031,000), RMB3,400,000 (approximately HK\$3,964,000) and RMB2,200,000 (approximately HK\$2,565,000) respectively, which was determined with reference to the total amount of rental and property management services fees paid/payable under the respective Tenancy and Property Management Agreements.

The respective monthly rental and property management services fee under each of the Tenancy and Property Management Agreements are determined after arm's length negotiation between the relevant parties with reference to the (i) prevailing market rent for similar properties in the vicinity of each of the Premises; and (ii) conditions of each of the Premises, including but not limited to the location and age of the buildings as well as the facilities and management services associated with each of the Premises.

INFORMATION OF THE GROUP

The Company is incorporated in Hong Kong, and the ordinary shares of which are listed on the Stock Exchange (stock code: 00619). The Company through its subsidiaries is principally engaged in securities, commodities, bullion and forex broking and trading; margin financing and money lending; provision of corporate advisory and underwriting services; asset and wealth management; property investment, media publications and financial public relation; and investment holding.

南京華鑫 is a company established in the PRC and is an indirect wholly-owned subsidiary of the Company. Its principal activities are: catering management, business management consulting, catering information consulting, exhibition display services, conference services, organization of cultural and artistic exchange activities (excluding performances), food processing technology transfer, technical advice, hotel supplies and kitchenware sales.

INFORMATION OF SCHC GROUP

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

南京微分, 南京世豐, 南京電力 and 麗景南京 are indirect wholly-owned subsidiaries of SCHC. Their principal activities are property leasing, property management services and related matters.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Premises A to C are being and to be used for food and beverage businesses carrying under various business names of 茉雪烘焙 Jasmine, 港臻食堂 and etc. for offering different types of food and beverage for catering various preferences of customers. The Premises D is used for staff quarters.

Premises A to C are all located in a renowned food street in Nanjing, where the location is prime and is exclusive for pedestrians (i.e., no vehicles are allowed to drive in). Given the foregoing exceptional conditions, it is expected that business opportunity thereof would be higher than that of other places in Nanjing. Workforce from other cities or remote areas in Nanjing is provided for Premises D as quarters for easy management. In addition, Premises D is not far away from the food street, which provides convenience for workforce to work, and in turn facilitate efficiency in discharging duties. The rentals and management fees under the Tenancy and Property Management Agreements are competitive with the current market rates of other premises for food and beverage in other prime areas in Nanjing.

Given the foregoing, the Directors (including the independent non-executive Directors) considered that (i) the terms of the transactions contemplated under the Tenancy and Property Management Agreements are fair and reasonable; (ii) all such transactions contemplated thereunder are on normal commercial terms or better (as defined in Chapter 14A of the Listing Rules) and in the ordinary and usual course of business of the Group; and (iii) all such transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Ng is an executive director, the chairman of the board of directors and a Substantial Shareholder of each of the Company and SCHC, and holds more than 30% beneficial interests in SCHC and hence is a connected person of the Company. As such, the transactions contemplated under the Tenancy and Property Management Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Mr. Ng is a connected person of the Company as mentioned above, Mr. Ng abstained from voting on the relevant Board resolutions in relation to each of the Tenancy and Property Management Agreements and the transactions contemplated thereunder.

As the Tenancy and Property Management Agreements are of similar nature and they have been entered into within the same 12-month period, the Company has aggregated the rental and management services fees paid/payable thereunder as if the transactions contemplated thereunder were one transaction. The applicable percentage ratio (as defined in the Listing Rules) calculated with reference to the annual cap for the Tenancy Property Management Agreements exceeds 0.1% but is below 5% (other than the profits ratio), the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including the independent finance advice) and independent Shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context hereof specifies otherwise:

“南京華鑫”	南京華鑫餐飲管理有限公司 (Nanjing Huaxin Catering Management Company Limited*), a limited company established in PRC and an indirect wholly-owned subsidiary of the Company
“南京微分”	南京微分電機有限公司 (Nanjing Weifen Electrical Company Limited*), a limited company established in PRC and an indirect wholly-owned subsidiary of SCHC
“南京世豐”	南京世豐物業管理有限公司 (Nanjing Shifeng Property Management Company Limited*), a limited company established in PRC and an indirect wholly-owned subsidiary of SCHC
“南京電力”	南京電力電容器有限公司 (Nanjing Power Capacitor Company Limited*), a limited company established in PRC and an indirect wholly-owned subsidiary of SCHC
“麗景南京”	麗景(南京)物業管理有限公司 (Lijing (Nanjing) Property Management Company Limited*), a limited company established in PRC and an indirect wholly-owned subsidiary of SCHC
“Board”	the board of Directors of the Company
“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong, and the ordinary shares of which are listed on the main board of the Stock Exchange (stock code: 00619)
“connected person(s)”	has the same meaning ascribed to it in under the Listing Rules
“Consolidated Management Services Agreement A”	the consolidated management services agreement entered into between 南京世豐 and 南京華鑫 dated 1 July 2018 in relation to the provision of property management services for the Premises A during the leasing period from 1 July 2018 to 30 June 2020 (both days inclusive)
“Consolidated Management Services Agreement B”	the consolidated management services agreement entered into between 南京世豐 and 南京華鑫 dated 28 August 2018 in relation to the provision of property management services for the Premises B during the leasing period from 28 August 2018 to 27 August 2020 (both days inclusive)

“Consolidated Management Services Agreement C”	the consolidated management services agreement entered into between 南京世豐 and 南京華鑫 dated 28 August 2018 in relation to the provision of property management services for the Premises C during the leasing period from 28 August 2018 to 27 August 2020 (both days inclusive)
“Consolidated Management Services Agreement D”	the consolidated management services agreement entered into between 麗景南京 and 南京華鑫 dated 1 July 2018 in relation to the provision of property management services for the Premises D during the leasing period from 1 July 2018 to 30 June 2019 (both days inclusive)
“Consolidated Management Services Agreements”	Consolidated Management Services Agreement A, Consolidated Management Services Agreement B, Consolidated Management Services Agreement C and Consolidated Management Services Agreement D
“Director(s)”	the director(s) 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Hung Sang, an executive director, the chairman of the board of directors and a substantial shareholder of each of the Company and SCHC
“PRC”	The People’s Republic of China
“Premises”	Premises A, Premises B, Premises C and Premises D
“Premises A”	premises situated at 中國南京市鼓樓區雲南北路 28 號 1 號樓 3 樓 (3rd Floor, No. 1 Building, 28 Yunnan Bei Lu, Gulou District, Nanjing City, PRC*)
“Premises B”	premises situated at 中國南京市鼓樓區雲南北路 28 號 1 號樓 104 室(Room 104, No. 1 Building, 28 Yunnan Bei Lu, Gulou District, Nanjing City, PRC*)
“Premises C”	premises situated at 中國南京市鼓樓區雲南北路 28 號 1 號樓 104-2 室(Room 104-2, No. 1 Building, 28 Yunnan Bei Lu, Gulou District, Nanjing City, PRC*)

“Premises D”	premises situated at 中國南京市白下區升州路 292 號 C 樓 1 層房號 7-01.005、007 至 009、014 至 019 (Room Nos. 7-01.005, 007 to 009, 014 to 019, 1 st Floor, Block C, 292 Shengzhou Lu, Baixia District, Nanjing City, PRC*)
“Property Management Services Agreement	the property management services agreement entered into between 南京微分 and 南京華鑫 on 1 July 2018 in relation to the provision of property management services by 南京微分 to 南京華鑫 for the initial set up period in respect of the Premises A
“RMB”	Renminbi, the lawful currency of PRC
“SCHC”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the main board of the Stock Exchange (stock code: 00413)
“SCHC Group”	SCHC and its subsidiaries
“Shares”	ordinary shares in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. m.”	square metres
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Tenancy Agreement A”	the tenancy agreement entered into between 南京微分 as lessor and 南京華鑫 as lessee on 1 July 2018 in relation to the leasing of the Premises A
“Tenancy Agreement B”	the tenancy agreement entered into between 南京微分 as lessor and 南京華鑫 as lessee on 28 August 2018 in relation to the leasing of the Premises B
“Tenancy Agreement C”	the tenancy agreement entered into between 南京微分 as lessor and 南京華鑫 as lessee on 28 August 2018 in relation to the leasing of the Premises C
“Tenancy Agreement D”	the tenancy agreement entered into between 南京電力 as lessor and 南京華鑫 as lessee on 1 July 2018 in relation to the leasing of the Premises D
“Tenancy Agreements”	Tenancy Agreement A, Tenancy Agreement B, Tenancy Agreement C and Tenancy Agreement D

“Tenancy and Property Management Agreements” Tenancy Agreements, Property Management Services Agreement and Consolidated Management Services Agreements

“%” per cent.

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

In this announcement, for reference only, the translation of Hong Kong dollars into RMB is based on the exchange rate of HK\$100=RMB85.78.

By order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Yuk Mui Jessica
Executive Director

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Ms. Ng Yuk Mui Jessica and Dr. Wang Wei Hsin as executive Directors; and (2) Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric as independent non-executive Directors.