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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 the Company, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

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### SOUTH CHINA ASSETS HOLDINGS LIMITED

南華資產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08155)

### CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EGM

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



FIRST SHANGHAI GROUP  
FIRST SHANGHAI CAPITAL LIMITED  
第一上海融資有限公司

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Circular.

A letter from the Board is set out on pages 6 to 18 of this Circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 and 20 of this Circular. A letter from the Independent Financial Adviser containing its recommendation and advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 39 of this Circular.

A notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this Circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

This Circular will remain on the "Latest Listed Company Information" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at [www.scassets.com](http://www.scassets.com).

#### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) Compulsory temperature screening/checks
- (2) Wearing of surgical face mask
- (3) No provision of refreshments or drinks or souvenir

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. The Company encourages attendees to wear surgical face masks and reminds Shareholders that they may appoint the chairman of the EGM as their proxy to vote on the relevant resolution(s) at the EGM as an alternative to attending the EGM in person.

3 February 2021

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## CHARACTERISTICS OF GEM

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**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this Circular, unless the context otherwise requires, the following terms or expressions shall have the following meanings:*

“associates”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“Board”	board of the Directors
“Business Day”	a day (other than Saturday, Sunday, public holiday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning 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, and “Business Days” shall mean more than one Business Day
“Cangzhou Real Estate”	滄州南華房地產開發有限公司 (Cangzhou South China Real Estate Development Limited)*, an indirect wholly-owned subsidiary of the Company
“Circular”	this circular and the appendix hereto
“Company”	South China Assets Holdings Limited, an exempt company incorporated in the Cayman Islands with limited liability, and the Shares are being listed and traded on GEM (stock code: 08155)
“connected person”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules or the GEM Listing Rules, where applicable
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company, to be convened and held at 28 <sup>th</sup> Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Engagement Agreement I, the Engagement Agreement II and the respective transactions contemplated thereunder (or any adjournment thereof)
“Effective Date”	the effective date of the Engagement Agreement I, i.e. date on which all conditions precedent set out in the Engagement Agreement I are fulfilled

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## DEFINITIONS

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“Engagement I”	the engagement of Cangzhou Real Estate to provide pre-development management services for the Project on behalf of Nanjing Electrical for a term of twelve (12) months (up to a maximum of eighteen (18) months) from the Effective Date
“Engagement II”	the engagement of Cangzhou Real Estate to provide project development management services for the Project on behalf of Nanjing Electrical for a fixed term of thirty-six (36) months upon the date of obtaining the Land Certificate by Nanjing Electrical
“Engagement Agreement I”	the engagement agreement dated 31 December 2020 and entered into between Nanjing Electrical and Cangzhou Real Estate in respect of the Engagement I
“Engagement Agreement II”	the engagement agreement dated 31 December 2020 and entered into between Nanjing Electrical and Cangzhou Real Estate in respect of the Engagement II
“Engagements”	the Engagement I and the Engagement II
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“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
“Huanghua Project”	a property project located in 黃驊新城 (Huanghua new city)*, Hebei province, the PRC. The project comprises two (2) pieces of land, having a total area of approximately 65,257 sq.m., which have been planned for development of commercial street zones, apartments and office buildings
“Independent Board Committee”	the independent board committee of the Board established by the Board, comprising two independent non-executive Directors, namely Mr. Cheng Hong Kei and Mr. Yeung Chi Hang, to advise the Independent Shareholders in respect of the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders with respect to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than Mr. Ng and his associates, who are required to abstain from voting at the EGM pursuant to the GEM Listing Rules
“Joint Venture Agreement”	a joint venture agreement dated 9 April 2020 entered into between the Company and a wholly-owned subsidiary of SCHC in respect of formation of a joint venture in which the Company and the wholly-owned subsidiary of SCHC respectively hold 60% and 40% equity interest in the joint venture which directly or indirectly carries out production and sales of medical face masks and related products, details of which were set out in the announcement of the Company dated 9 April 2020
“Land Certificate”	the land certificate to be obtained by applying for 低效用地再開發 (redevelopment of lower efficient usage of land)*, i.e. (change in use of land) for the land on which the Project is situated
“Latest Practicable Date”	28 January 2021, being the latest practicable date prior to the publication of this Circular for the purposes of ascertaining certain information contained in this Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	11 February 2021 or such other date as Nanjing Electrical and Cangzhou Real Estate may further agree in writing, as at the Latest Practicable Date, Nanjing Electrical and Cangzhou Real Estate agreed the long stop date to be amended to 26 February 2021
“Mr. Ng”	Mr. Ng Hung Sang, chairman, executive director of each of the Board and SCHC Board, an ultimate controlling shareholder of each of the Company and SCHC
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, son of Mr. Ng

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## DEFINITIONS

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“Nanjing Electrical”	南京電機有限公司 (Nanjing Electrical Limited)*, an indirect wholly-owned subsidiary of SCHC
“Nanjing Electrical Group”	Nanjing Electrical and its subsidiaries
“PRC”	the People’s Republic of China (for the purposes of this Circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Project”	a property development project located in 雨花西路262號 (262 Rain Flower West Road)* in Nanjing, the PRC, having an area of approximately 9,499.2 sq.m. for commercial, offices and residential development
“RMB”	Renminbi, the lawful currency of the PRC
“SCHC”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and its ordinary shares are being listed and traded on the Main Board of the Stock Exchange (stock code: 00413)
“SCHC Board”	board of directors of SCHC
“SCHC Group”	SCHC and its subsidiaries
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Sales and Purchase Agreement”	the sale and purchase agreement dated 21 May 2020 entered into between South China Industries (China) Limited, an indirect wholly-owned subsidiary of SCHC as vendor and Proper Mark International Limited, an indirect wholly-owned subsidiary of the Company as purchaser in respect of the acquisition of one (1) share of US\$1.00 in the share capital of Silver Giant Limited, a company incorporated in the British Virgin Islands, which indirectly holds Xiazhuzhuang Project, details of which were set out in the announcement of the Company dated 21 May 2020
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)

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## DEFINITIONS

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“Sicundian Engagement Agreement”	the engagement agreement dated 6 October 2020 and entered into between Tianjin Yuji and Cangzhou Real Estate in respect of the Sicundian Project, details of which were set out in the announcement of the Company dated 6 October 2020
“Sicundian Project”	the engagement of Cangzhou Real Estate by Tianjin Yuji to provide comprehensive management services for a property development project located in 泗村店鎮 (Sicundian town)* of 武清區 (Wuqing district)* in Tianjin, the PRC, having an area of approximately 58,000 sq.m. for residential development
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Yuji”	天津南華譽基房地產開發有限公司 (Tianjin South China Yuji Real Estate Development Limited)*, an indirect wholly-owned subsidiary of SCHC
“US\$”	United States dollars, the lawful currency of the United States of America
“Xiazhuzhuang Project”	a property development project located at 天津市武清區下朱莊街 (Xiazhuzhuang Street, Wuqing District, Tianjin City)*, having a total area of approximately 53,333.8 sq.m.
“Zhongjie Project”	a residential property project located in 滄州市中捷產業園區 (Cangzhou Zhongjie Industrial Park District)*, Hebei province, the PRC. The project has 4 blocks, having a total gross floor area of approximately 17,300 sq.m.
“%”	per cent.
“sq.m.”	square meters

\* Denotes English translation of Chinese names and is provided for identification purpose only.





**SOUTH CHINA ASSETS HOLDINGS LIMITED**

**南華資產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08155)**

*Executive Directors:*

Mr. Ng Hung Sang (*Chairman*)  
Ms. Cheung Choi Ngor  
Mr. Richard Howard Gorges  
Ms. Ng Yuk Mui Jessica (*Executive Vice Chairman*)

*Non-executive Director:*

Mr. Ng Yuk Yeung Paul

*Independent non-executive Directors:*

Mr. Cheng Hong Kei  
Ms. Pong Scarlett Oi Lan, BBS, J.P.  
Mr. Yeung Chi Hang

*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

3 February 2021

*To the Shareholders*

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EGM**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2020.

On 31 December 2020 (after trading hours), Nanjing Electrical (an indirect wholly-owned subsidiary of SCHC) and Cangzhou Real Estate (an indirect wholly-owned subsidiary of the Company) entered into:

- (1) the Engagement Agreement I, pursuant to which Nanjing Electrical has conditionally agreed to engage Cangzhou Real Estate to provide pre-development management services for the Project on its behalf and Cangzhou Real Estate has conditionally agreed to be engaged to provide pre-development management services for the

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## LETTER FROM THE BOARD

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Project for a term of twelve (12) months from the Effective Date (or such other longer period to be mutually agreed between Nanjing Electrical and Cangzhou Real Estate, but the term shall not be more than eighteen (18) months in total); and

- (2) the Engagement Agreement II, pursuant to which Nanjing Electrical has conditionally agreed to engage Cangzhou Real Estate to provide project development management services (including but not limited to design, planning and construction) for the Project on its behalf and Cangzhou Real Estate has conditionally agreed to be engaged to provide project development management services (including but not limited to design, planning and construction) for the Project for a fixed term of thirty-six (36) months from the date of obtaining the Land Certificate.

The purpose of this Circular is to provide you with, among other things, (i) further details of the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to approve the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder; and (iv) the notice of the EGM.

### MAJOR TERMS OF THE ENGAGEMENT AGREEMENT I

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

<b>Date</b>	31 December 2020
<b>Parties</b>	(1) Nanjing Electrical; and (2) Cangzhou Real Estate

### Engagement

Cangzhou Real Estate shall provide pre-development management services for (i) application for and processing of all necessary licences, permits and approvals in relation to the development of the Project (including but not limited to applying for “低效用地再開發 (redevelopment of lower efficient usage of land)\*” (i.e. change in use of land)) for the land on which the Project is situated and obtaining official approval of the application; (ii) coordination with relevant government departments (including but not limited to coordination with the land and resources department for assessment of additional land premium for the change in use of land); and (iii) overall positioning, implementation and planning of the Project.

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## LETTER FROM THE BOARD

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### Term

The term of the Engagement Agreement I shall be twelve (12) months from the Effective Date (or such other longer period to be mutually agreed between Nanjing Electrical and Cangzhou Real Estate, but the term shall not be more than eighteen (18) months in total), which was determined between Nanjing Electrical and Cangzhou Real Estate by taking into account of size, nature and the preliminary design of the Project.

Cangzhou Real Estate has a workplan for the Engagement I which was disclosed in the section headed “INFORMATION ON THE GROUP, SCHC GROUP, NANJING ELECTRICAL, CANGZHOU REAL ESTATE AND THE PROJECT”.

### Engagement fee

The engagement fee in respect of the Engagement I shall be paid by Nanjing Electrical to Cangzhou Real Estate in cash in advance on a monthly basis as follows:

A total fee of RMB12 million (equivalent to approximately HK\$14.12 million), i.e., the monthly fee will be RMB1 million (equivalent to approximately HK\$1.18 million). For the avoidance of doubt, the total fee shall remain unchanged in the event that the 12-month period is to be extended to a maximum period of eighteen (18) months subject to mutual agreement between Nanjing Electrical and Cangzhou Real Estate.

The engagement fee was determined after arm’s length negotiations between Nanjing Electrical and Cangzhou Real Estate by taking into account of (i) the engagement fee for providing similar services charged by Cangzhou Real Estate on Sicundian Project (i.e. a mark-up of 40% on the estimated costs (approximately RMB600,000 per month, which are mainly staff and general administrative costs) of Cangzhou Real Estate for the Engagement I); (ii) the prevailing market price of similar services (a mark-up of approximately 40% on the cost, by referring to the interim report for the six months ended 30 June 2020 of Green Town Management Holdings Company Limited (綠城管理控股有限公司) (“**Green Town**”), a company listed on the Main Board of the Stock Exchange (stock code: 9979), which is a leading project management company in the PRC real estate market in terms of total revenue according to its prospectus dated 29 June 2020); (iii) immediate availability of resources of Cangzhou Real Estate; and (iv) solid experience of Cangzhou Real Estate in property development.

### Conditions precedent

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

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

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## LETTER FROM THE BOARD

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

### MAJOR TERMS OF THE ENGAGEMENT AGREEMENT II

**Date** 31 December 2020

**Parties** (1) Nanjing Electrical; and  
(2) Cangzhou Real Estate

#### Engagement

Cangzhou Real Estate shall provide project development management services for the Project:

- (i) planning and design service — selection of designing unit;
- (ii) managing progress and controlling quality of output;
- (iii) cost control — formulating cost control policy for monitoring the costs of the Project;
- (iv) construction support service — organising tenders of various construction works from different contractors;
- (v) selection, coordination and management of contractors and project managers;
- (vi) overall management of quality and completion progress of the Project (including construction of basic and common ancillary facilities);
- (vii) facilities and utilities report filing service — reporting such facilities and utilities as fire service, quality assurance, security assurance, water supply, gas supply, electricity supply and telecommunication to the relevant authorities;
- (viii) completion inspection and payment service — organising inspections of various works with relevant authorities (including inspection of construction works, fire services and all other works);
- (ix) filing reports of completion of inspections with the relevant authorities, arrangement of payment of fees and expenses to various contractors and authorities;
- (x) record service — recording all information and documents in connection with the Project and handing over a copy of such record to Nanjing Electrical from time to time;
- (xi) contract enforcement service — management of various contracts (including preparation and preliminary review);

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## LETTER FROM THE BOARD

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- (xii) performing and observing all obligations and exercising all rights of each of the contracts for Nanjing Electrical Group;
- (xiii) resolving all disputes arising out of such contracts for Nanjing Electrical Group; and
- (xiv) financial service — formulating financial control policy, opening bank account(s) for the Project and making payments for the Project.

### **Term**

The term of the Engagement Agreement II shall be thirty-six (36) months from the date of obtaining the Land Certificate, which was determined between Nanjing Electrical and Cangzhou Real Estate by taking into account of size, nature and the preliminary design of the Project. For the avoidance of doubt, if Nanjing Electrical fails to obtain the Land Certificate within twenty-four (24) months after the effective date of the Engagement Agreement II, Cangzhou Real Estate shall have right to terminate the Engagement Agreement II and shall have no obligation to provide services thereunder. The effective date of the Engagement Agreement II is the date on which all conditions precedent set out in the Engagement Agreement II are fulfilled.

Cangzhou Real Estate has a preliminary workplan for Engagement II but subject to the final design of the Project.

### **Engagement fee**

The engagement fee in respect of the Engagement II shall be paid by Nanjing Electrical to Cangzhou Real Estate in cash in advance on a monthly basis as follows:

A total fee for the 36-month period is RMB50.4 million (equivalent to approximately HK\$59.29 million), i.e., the monthly fee will be RMB1.4 million (equivalent to approximately HK\$1.65 million).

The engagement fee was determined after arm's length negotiations between Nanjing Electrical and Cangzhou Real Estate by taking into account of (i) the engagement fee for providing similar services charged by Cangzhou Real Estate on Sicundian Project (i.e. a mark-up of 40% on the estimated costs (approximately RMB800,000 per month, which are mainly staff and general administrative costs) of Cangzhou Real Estate for the Engagement II); (ii) the prevailing market price of similar services (a mark-up of approximately 40% on the cost, by referring to the interim report for the six months ended 30 June 2020 of Green Town, which is a leading project management company in the PRC real estate market in terms of total revenue according to its prospectus dated 29 June 2020); (iii) immediate availability of resources of Cangzhou Real Estate; and (iv) solid experience of Cangzhou Real Estate in property development.

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## LETTER FROM THE BOARD

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### Conditions precedent

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

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

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

### BASIS OF THE ANNUAL CAP

#### (1) Engagement I:

A term of twelve (12) months from the Effective Date (or such other longer period to be mutually agreed between Nanjing Electrical and Cangzhou Real Estate, but the term shall not be more than eighteen (18) months in total). By assuming the Effective Date were same as the Long Stop Day, the maximum proposed annual cap for the transactions contemplated under the Engagement Agreement I for each of the two (2) financial years ending 31 December 2022 is as follows:

<b>Period</b>	<b>Annual caps RMB ('000)</b>
For the financial year ending 31 December 2021	11,000
For the financial year ending 31 December 2022	1,000 <i>(Note 1)</i>

*Note 1:* The maximum proposed annual cap for the financial year ending 31 December 2022 shall be RMB12,000,000 assuming the Effective Date were 1 January 2022.

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## LETTER FROM THE BOARD

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### (2) Engagement II:

A fixed term of thirty-six (36) months from the date of obtaining the Land Certificate. By assuming (i) the Effective Date were same as the Long Stop Date; and (ii) the date of obtaining the Land Certificate were the date immediately following the last date of the twelfth (12th) month in the Engagement I, the maximum proposed annual cap for the transactions contemplated under the Engagement Agreement II for each of the four (4) financial years ending 31 December 2025 is as follows:

<b>Period</b>	<b>Annual caps</b> <i>RMB ('000)</i>
For the financial year ending 31 December 2022	15,400
For the financial year ending 31 December 2023	16,800
For the financial year ending 31 December 2024	16,800
For the financial year ending 31 December 2025	1,400 <i>(Note 2)</i>

*Note 2:* The maximum proposed annual cap for the financial year ending 31 December 2025 shall be RMB16,800,000 assuming the Land Certificate were obtained on 1 January 2023.

### REASONS FOR AND BENEFITS OF THE ENGAGEMENTS

The Project is located in Nanjing, which is pending for development. SCHC Group does not have its property development professional team in Nanjing. On the other hand, the Group has solid experience (including having its own professional team) in management (including but not limited to pre-development, design, planning and construction) of small to medium scale property projects, e.g. the Group has commenced the main construction works in Block 3 of Zhongjie Project, and started the pre-sale upon obtaining a pre-sale certificate from the authority on 24 December 2020. In addition, the Group has started (i) the planning and design stage of Huanghua Project, which is expected to be completed in the second quarter of 2021; and (ii) the pre-development stage of Sicundian Project (including obtaining the construction work commencement permit), which is expected to be completed in the first half of 2021. The site area for the Project is about 9,499.2 sq.m., which is considered to be a small-scale property project that the Group is experienced in.

Cangzhou Real Estate has conducted due diligence on the Project. Based on the information available to Cangzhou Real Estate, (i) the change in use of land of the Project is in line with the local planning as stated in 市政府辦公廳關於深入推進城鎮低效用地再開發工作實施意見 (Advice by Municipal Government Office regarding Implementation of Intensive Promotion of Re-development of Low Efficient Land)\* dated 27 May 2019 (the “Government Opinion”); and (ii) the local government authority and Nanjing Electrical have reached a preliminary understanding on the change in use of land, the Board views that the application in relation to change in use of land for Engagement II is a kind of administrative matter which will not be having much difficulty so long as all required procedures are completed in a proper manner despite Cangzhou Real Estate has not got any past experience in handling such new arrangement in change the use of land. Given the foregoing, a senior officer of Cangzhou Real



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## LETTER FROM THE BOARD

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Estate, who has experience in coordinating with the land authority, has been assigned to coordinate closely with the local authority for ensuring the application procedures are complied with after the Engagement I.

The Engagement I is the preparation work for planning and construction, which is regarded as part of the project management services. Given the manpower involved and nature of works in the Engagement I are different from that of in the Engagement II, and the Engagement II is subject to completion of the Engagement I, Cangzhou Real Estate and Nanjing Electrical have reached an agreement to have different fees for provision of respective services for the Engagement I and the Engagement II. However, both Engagements are of project management in nature.

The Board believes that it is the best interest of the Group to further expand its scope of services in the property development segment. The project management services provided by project management companies are typically transformed from traditional property development. The main difference between the project management companies and traditional property developers are (i) the project management companies do not own the project itself; and (ii) the project management companies receive service fees in return for their project management services while the traditional property developers recognize return through the sales of and rental income from premises/units upon completion of a project. The Board considers that the engagement in project management services may widen the scope of business opportunities by utilizing its current experience and expertise in property development without further incurring substantial labour costs and capital injection required in exploring a new business, which in turn is expected to generate additional revenue to the Group. Therefore, the engagement in project management services would be beneficial to its shareholders.

Based on the information available to the Board, the land where the Project is situated is currently let to tenants for industrial use and given (i) the upcoming expiration of most of the tenancies thereof; and (ii) the release of the Government Opinion, the SCHC Group considers that the change in use of land is in line with the local planning and that the revenues from the commercial and residential development are expected to be much higher than that from its current leasing business, hence the SCHC Group considers that it is the right time to commence the Project.

The Board (excluding the Independent Board Committee whose opinion will be rendered and stated in this Circular to be despatched to the Shareholders after taking into account of the advice from the Independent Financial Adviser) is of the view that the Engagements will provide a steady stream of positive cash flow for the Group without bearing any substantial commercial risk during the term of each of the Engagement Agreement I and the Engagement Agreement II (i.e. next twelve months from the Effective Date and next thirty-six months from the date of obtaining the Land Certificate). Despite the Project is not owned by the Group, the Board (excluding the Independent Board Committee whose opinion will be rendered and stated in this Circular to be despatched to the Shareholders after taking into account of the advice from the Independent Financial Adviser) believes that it is a good opportunity for the Group to expand its (i) property development portfolio from Beijing-Tianjin-Hebei urban agglomeration to Yangtze Delta region in the PRC, which would enhance its sustainability in property development sector; and (ii) scope of services in the project management (i.e. the change in



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## LETTER FROM THE BOARD

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use of land). The Group is able to enjoy an advantage of economies of scale in the Engagements since it has already had a professional team for property development and the functions of back-office (including but not limited to engineering, legal and finance) could be shared among the projects. The Group would continue to seek other opportunity for provision of similar project management services from other parties in the future for expansion of such business segment.

As at the Latest Practicable Date, Cangzhou Real Estate has about 50 staff. The Board believes that the current manpower and resources of Cangzhou Real Estate are sufficient to discharge such common back-office functions as engineering, legal and finance etc. for Zhongjie Project, Huanghua Project, Sicundian Project and the Engagement I. Cangzhou Real Estate will recruit some on-site personnel for Engagements when necessary. The Directors currently do not see any difficulty in this regard.

Given the facts that the Group has its niche industry professionalism to manage relatively smaller property development project and the Engagements can provide additional revenue, profit and operating cash inflow to the Group in the coming twelve (12) months for the Engagement I and subsequently thirty-six (36) months for the Engagement II, with the common directors of the Company and SCHC all abstained from voting on the board resolutions of the Company in relation to the Engagements and Mr. Ng and his associates will be abstain from voting on the resolutions approving the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder at the EGM.

After taking into account of the factors above, the Board is of the view that each of the Engagements is on normal commercial terms, and that the terms of each of the Engagement Agreement I and the Engagement Agreement II are fair and reasonable and for the interests of the Company and Shareholders as a whole.

### **INFORMATION ON THE GROUP, SCHC GROUP, NANJING ELECTRICAL, CANGZHOU REAL ESTATE AND THE PROJECT**

#### **The Group**

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

#### **SCHC Group**

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

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## LETTER FROM THE BOARD

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### Nanjing Electrical

Nanjing Electrical is an industrial company in the PRC, which is an indirect wholly-owned subsidiary of SCHC. The Project is 100% owned by Nanjing Electrical.

### Cangzhou Real Estate

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

### The Project

A property development project located in 雨花西路262號 (262 Rain Flower West Road)\* in Nanjing, the PRC, having site area of approximately 9,499.2 sq.m. and planned gross floor area of approximately 83,000 sq.m. for commercial, offices and residential development. The pre-development works will be commenced on the Effective Date and would take approximately twelve (12) months (up to a maximum period of eighteen (18) months) to complete; and the development management works will be commenced upon the date of obtaining the Land Certificate and would take a period of not more than thirty-six (36) months to complete.

The expected timetable for Engagement I is as follows:

<b>Works</b>	<b>Estimated Completion Time</b>
Provide the preliminary proposal	First quarter of 2021
Provide the detailed action plan	Second quarter of 2021
Apply the change of use of land to the relevant government authorities in Nanjing	Third quarter of 2021
Assess and confirm the amount of the premium to be paid for the change of use of land	Fourth quarter of 2021

### GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Mr. Ng and his associates hold approximately 64.92% of the total issued share capital of the Company and approximately 61.22% of the total issued share capital of SCHC. Therefore, each of the Company and SCHC is an associate of Mr. Ng. Given the Engagement I is a transaction for a continuous period of twelve (12) months (up to a maximum of eighteen (18) months) for provision of pre-development management services; and the Engagement II is a transaction for a continuous period of thirty-six (36) months (subject to obtaining the Land Certificate) for provision of project development management services with an associate of a connected person for each of the Company, each of the Engagements constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing.

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## LETTER FROM THE BOARD

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

Given that the highest of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Engagements, when aggregated with Sicundian Project in the last twelve (12) months, is more than 5%, each of the Engagement I and the Engagement II is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### THE EGM

The EGM will be held to consider and, if thought fit, approve the Engagement Agreement I and Engagement Agreement II and the respective transactions contemplated thereunder. The resolutions in relation to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder at the EGM will be voted on by the Independent Shareholders by way of poll.

As at the Latest Practicable Date, Mr. Ng and his associates held approximately 64.92% of the total issued share capital of the Company and approximately 61.22% of the issued share capital of SCHC. Therefore, Mr. Ng was considered to have a material interest in the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder by virtue of his interests in each of the Company and SCHC, and he and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Earntrade Investments Limited, Bannock Investment Limited, Green Orient Investments Limited, Ms. Ng Lai King Pamela and Mr. Paul Ng, held approximately 64.94% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date, will abstain from voting on the resolutions approving the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder.

A notice of the EGM is set out on pages EGM-1 to EGM-3 of this Circular.

In accordance with the GEM Listing Rules, any Shareholder and his/her/its associates with material interests in the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder must abstain from voting on the resolutions approving the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder at the EGM.

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## LETTER FROM THE BOARD

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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 adjourned meeting in person, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it to Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the list of Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 18 February 2021 to Tuesday, 23 February 2021 (both dates inclusive). No transfer of the Shares will be registered during these days. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 17 February 2021.

### **VOTING BY POLL**

According to Rule 17.47(4) of the GEM Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman of such general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolution put to the vote at the EGM will be taken by way of poll, and the Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

### **RECOMMENDATION**

The Independent Board Committee (comprising Mr. Cheng Hong Kei and Mr. Yeung Chi Hang) has been formed to advise and provide recommendation to the Independent Shareholders in respect of the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder after taking into account the advice from the Independent Financial Adviser.

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

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## LETTER FROM THE BOARD

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Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder.

The Board including the Independent Board Committee after having considered the advice of the Independent Financial Adviser considers that the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole, and recommends the Independent Shareholders to vote in favour of the resolutions relating to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the general information which are set out in Appendix I to this Circular.

### WARNING NOTICE

**Warnings: Each of the Engagement I and the Engagement II is subject to the fulfillment of the conditions precedent set out in the Engagement Agreement I and the Engagement Agreement II respectively, therefore, the Engagement I and/or the Engagement II may or may not proceed. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and are recommended to consult their respective professional advisers if they are in any doubt about their position and as to actions that they should take.**

Yours faithfully  
For and on behalf of the Board of  
**South China Assets Holdings Limited**  
**Ng Yuk Mui Jessica**  
*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder.*



### **SOUTH CHINA ASSETS HOLDINGS LIMITED**

**南華資產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08155)**

3 February 2021

*To the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

We refer to the Circular to the Shareholders of which this letter forms part. Unless otherwise specified, all terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. The Independent Financial Adviser has been appointed to advise the Independent Shareholders and us in this regard.

First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other things, whether the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder, are on normal commercial terms, fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

Details of the advice and the principal factors and reasons that the Independent Financial Adviser has taken into consideration in giving such advice are set out in the “Letter from the Independent Financial Adviser” in the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having taken into account the (i) terms of the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder; and (ii) the factors referred to in the “Letter from the Independent Financial Adviser” in the Circular, we are of the opinion that the terms of the Engagement Agreement I and the Engagement II and the respective transactions contemplated thereunder are (i) fair and reasonable so far as the

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Shareholders (including the Independent Shareholders) are concerned; (ii) in the ordinary and usual course of business of the Company on normal commercial terms; and (iii) are in the interests of the Group and the Shareholders as a whole.

We, therefore, recommend you to vote in favour of the resolution relating to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**The Independent Board Committee**

**Cheng Hong Kei**  
*Independent non-executive Director*

**Yeung Chi Hang**  
*Independent non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser setting out their opinion regarding the continuing connected transactions (including the proposed annual caps) contemplated under each of the Engagement Agreement I and the Engagement Agreement II for the purpose of inclusion in this circular.*



19th Floor  
Wing On House  
71 Des Voeux Road Central  
Hong Kong

3 February 2021

*To the Independent Board Committee and  
the Independent Shareholders*

South China Assets Holdings Limited  
28th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

Dear Sirs,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (as defined hereinafter) (including the proposed annual caps) contemplated under each of the Engagement Agreement I and the Engagement Agreement II (collectively, the “**Engagement Agreements**”), details of which are contained in the Circular dated 3 February 2021, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those ascribed in the Circular.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 31 December 2020, Nanjing Electrical (an indirect wholly-owned subsidiary of SCHC) and Cangzhou Real Estate (an indirect wholly-owned subsidiary of the Company) entered into the following two Engagement Agreements:

1. pursuant to the Engagement Agreement I, Nanjing Electrical and Cangzhou Real Estate have conditionally agreed to engage Cangzhou Real Estate to provide pre-development management services for the Project for a term of twelve (12) months from the Effective Date (or such other longer period to be mutually agreed between Nanjing Electrical and Cangzhou Real Estate, but the term shall not be more than eighteen (18) months in total); and
2. pursuant to the Engagement Agreement II, Nanjing Electrical and Cangzhou Real Estate have conditionally agreed to engage Cangzhou Real Estate to provide project development management services (including but not limited to design, planning and construction) for the Project for the Project for a fixed term of thirty-six (36) months from the date of obtaining the Land Certificate.

### IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, Mr. Ng and his associates held approximately 64.92% of the total issued share capital of the Company. Therefore, the Company is an associate of Mr. Ng.

Given (i) the Engagement I is a transaction for a continuous period of twelve (12) months (up to a maximum period of eighteen (18) months) for provision of pre-development management services; and (ii) the Engagement II is a transaction for a continuous period of thirty-six (36) months (subject to obtaining the Land Certificate) for provision of project development management services (including but not limited to design, planning and construction) with an associate of a connected person for the Company, each of the Engagement I and the Engagement II constitutes a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules (the “**Continuing Connected Transactions**”).

Given that the highest of the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Engagements, when aggregated with Sicundian Project in the last twelve (12) months, is more than 5%, each of the Engagement I and the Engagement II is subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

An EGM is going to be convened and held to consider, and if thought fit, pass the resolutions to approve each of the Engagement Agreement I and the Engagement II and the transactions contemplated thereunder.

As at the Latest Practicable Date, Mr. Ng and his associates held approximately 64.92% of the total issued share capital of the Company and approximately 61.22% of the issued share capital of SCHC. Therefore, Mr. Ng was considered to have a material interest in the Engagement Agreement and the transaction contemplated thereunder by virtue of his interests in each of the Company and SCHC, and he and his associates, namely Fung Shing Group

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Earntrade Investments Limited, Bannock Investment Limited, Green Orient Investments Limited, Ms. Ng Lai King Pamela and Mr. Paul Ng, held approximately 64.94% of the total issued share capital of the Company in aggregate as at the Latest Practicable Date, will abstain from voting on the relevant resolutions approving each of the Engagement Agreements and the transactions contemplated thereunder.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising the two independent non-executive Directors, namely Mr. Cheng Hong Kei and Mr. Yeung Chi Hang, has been established to consider the Continuing Connected Transactions and the transactions contemplated under each of the Engagement Agreements, and to advise the Independent Shareholders on the fairness and reasonableness in relation to the terms of the Continuing Connected Transactions and the transactions contemplated thereunder.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the Continuing Connected Transactions contemplated under each of the Engagement Agreements are conducted in the ordinary and usual course of business of the Group; (ii) whether the terms of each of the Engagement Agreements are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in relation to the ordinary resolutions to be proposed at the EGM for approving each of the Engagement Agreements and the transactions contemplated thereunder.

### OUR INDEPENDENCE

Independent Shareholders should note that, within the past two years from the Latest Practicable Date, we were engaged as the independent financial advisers by the Company mainly in relation to the provision of independent financial advice to the then Independent Board Committee and Independent Shareholders for the following two occasions:

1. a discloseable and connected transaction of the Company for acquisition of 100% equity interest in Silver Grant Limited as detailed in the circular of the Company dated 26 June 2020; and
2. a continuing connected transaction of the Company in relation to the provision of comprehensive project development management services for the Sicundian Project as detailed in the circular of the Company dated 16 November 2020.

Given (i) our independent roles in the previous two engagements; (ii) none of the members of our parent group is a direct party to each of the Engagement Agreements; and (iii) our independent financial advisory fees for this current engagement in addition to that previous two engagements represented an insignificant percentage of revenue of our parent group, we

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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consider that the previous two engagements would not affect our independence to form our opinion in respect of the Continuing Connected Transactions to be contemplated under each of the Engagement Agreements.

### **BASIS OF OUR OPINION**

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and Management for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the Management, nor have we conducted an independent investigation into the business and affairs of the Group, Nanjing Electrical Group and the SCHC Group.

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

In formulating our opinion and recommendation regarding the Continuing Connected Transactions (including the proposed annual caps) pursuant to each of the Engagement Agreements, we have taken into consideration the following principal factors and reasons:

#### **1. Background of the Group**

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In terms of segment revenue, the Group's revenue generated from property development and financial services had accounted for approximately 88.9% and 11.1% of its total revenue, respectively, for the financial year ended 31 December (“FY(s)”) 2019. In terms of segment assets, the Group's assets attributable to its business segments of property development and financial services had accounted for approximately 83.4% and 16.6% of its total segment assets, respectively, as at 31 December 2019. Based on such information, we consider that the property development business has formed a very substantial part of the ordinary and usual course of business of the Group.

### 2. Financial information of the Group

#### *Review of operating performance*

Set out below is a summary of the audited/unaudited consolidated financial information of the Group for the two FYs from 2018 to 2019 and the six and nine months ended 30 June 2020 and 30 September 2020 as extracted from the annual reports of the Company for the two FYs 2018 and 2019 (the “**Annual Report(s)**”) and the interim reports for the six and nine months ended 30 June 2020 and 30 September 2020 (the “**Interim Reports**”), respectively:

	For the FY			For the six months ended 30 June 2020	For the nine months ended 30 September 2020
	2017	2018	2019		
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	1,736	1,121	19,022	3,049	3,752
Operating profit/(loss)	33,757	(9,589)	(3,768)	(6,130)	53,062
Profit/(loss) before income tax	7,385	(30,635)	(18,725)	(12,414)	43,884
<b>Profit/(loss) attributable to equity holders of the Company</b>	(14,819)	(7,851)	(18,888)	(12,280)	44,124

#### *For the FY2019 versus FY2018*

As disclosed in the Annual Report, the Group recorded revenue of approximately HK\$19.0 million during the FY2019 (FY2018: approximately HK\$1.1 million). The increase in revenue by approximately HK\$17.9 million during the FY2019 was mainly derived from the property development project located in Cangzhou Bohai New District Zhongjie Industrial Park District, Tianjin Municipality, the PRC. During the FY2019, the Group recorded a loss attributable to its owners of approximately HK\$18.9 million (FY2018: approximately HK\$7.9 million).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *For the six months ended 30 June 2020*

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$3.0 million, representing a decrease of approximately 65.5% when comparing with that of approximately HK\$8.8 million for the corresponding period in 2019, mainly because no revenue from sale of property had been recognized during the period.

The Group recorded a loss attributable to its equity holders for the six months ended 30 June 2020 of approximately HK\$12.3 million (2019: HK\$13.0 million) in which decreased by HK\$0.7 million due to efforts in containing costs.

### *For the nine months ended 30 September 2020*

For the nine months ended 30 September 2020, the Group recorded revenue of approximately HK\$3.8 million, representing a decrease of approximately 58.7% when comparing with that of approximately 9.1 million for the corresponding period in 2019, mainly because there was no revenue from sale of properties had been recognized during the period.

The Group recorded a profit attributable to its equity holders for the nine months ended 30 September 2020 of approximately HK\$44.1 million (2019: loss of approximately HK\$17.0 million), which was mainly due to the recognition of gain on disposal of financial assets of approximately HK\$61.6 million (2019: merely HK\$1.8 million).

### ***Review of financial and cash flow positions***

Set out below is the summary of the consolidated financial positions of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 as extracted from the Annual Reports and Interim Report:

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	358,146	219,996	235,204	224,410
Current assets	512,403	357,468	180,333	172,532
Total assets	870,549	577,464	415,537	396,942
Non-current liabilities	(465,290)	(364,020)	(245,500)	(245,500)
Current liabilities	(229,792)	(176,185)	(133,678)	(140,128)
Total liabilities	(695,082)	(540,205)	(379,178)	(385,628)

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	As at 31 December			As at 30 June
	2017 (Audited) <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>	2019 (Audited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Equity attributable to equity holders of the Company (also known as net asset value (“NAV”) of the Group)	175,467	37,259	36,359	11,314
Cash and bank balances	190,577	177,393	21,917	21,096
Net current assets	282,611	181,283	46,655	32,404
Current ratios	2.2 times	2.0 times	1.3 times	1.2 times
Interest-bearing borrowings (i.e. being the aggregate of bank borrowing and loans from shareholders)	469,290	368,020	248,500	247,500
Gearing ratio (i.e. being calculated as the aggregate interest-bearing borrowings to be divided by the NAV of the Group)	267.5%	987.7%	683.5%	2,187.6%
				<b>For the six months ended 30 June</b>
	2017 (Audited) <i>HK\$'000</i>	2018 (Audited) <i>HK\$'000</i>	2019 (Audited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Operating cash inflow/(outflow) before working capital changes	51,134	(17,920)	(3,929)	N/A
Net cash generated from/(used in) operating activities	230,926	98,459	(2,779)	3,121
Net cash generated from investing activities	11,519	17,790	10,196	3,516
Net cash used in financing activities	(85,957)	(129,232)	(162,843)	(7,284)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*As at 30 June 2020 versus 31 December 2019*

As at 30 June 2020, the Group had current assets of approximately HK\$172.5 million (31 December 2019: approximately HK\$180.3 million), and current liabilities of approximately HK\$140.1 million (31 December 2019: approximately HK\$133.7 million), representing net current assets and current ratio of approximately HK\$32.4 million (31 December 2019: approximately HK\$46.7 million) and 1.2 times (31 December 2019: approximately 1.3 times), respectively. The Group's current ratios were slightly above 1.0 times as at 31 December 2019 and 30 June 2020, indicating that the Group's liquidity positions were marginally healthy. As at 30 June 2020, the Group had cash and bank balances of approximately HK\$21.1 million (31 December 2019: approximately HK\$21.9 million). There was no material change in the Group's current ratio and cash and bank balances as at 30 June 2020.

The Group's aggregate interest-bearing borrowings amounted to approximately HK\$247.5 million as at 30 June 2020 (31 December 2019: approximately HK\$248.5 million) comprised bank borrowings of HK\$2.0 million (31 December 2019: HK\$3.0 million) and loans from shareholders of approximately HK\$245.5 million (31 December 2019: approximately HK\$245.5 million), representing a very high gearing ratio of approximately 2,187.6% (2018: approximately 683.5%). The Group's gearing position had greatly deteriorated mainly because of the significant decrease in net asset value from approximately HK\$36.4 million as at 31 December 2019 to HK\$11.3 million as at 30 June 2020, which was mainly affected by (i) the net loss of approximately HK\$12.4 million incurred during the six months ended 30 June 2020; and (ii) the change in fair value of financial assets of approximately HK\$10.6 million during the same period, so as leading to its gearing positions standing at very high levels.

*As at 31 December 2019 versus 31 December 2018*

As at 31 December 2019, the Group had current assets of approximately HK\$180.3 million (2018: approximately HK\$357.5 million), and current liabilities of approximately HK\$133.7 million (2018: approximately HK\$176.2 million), representing net current assets and current ratio of approximately HK\$46.7 million (2018: approximately HK\$181.3 million) and 1.3 times (2018: approximately 2.0 times), respectively. The Group's current ratios were slightly above 1.0 times as at 31 December 2018 and 2019, indicating that the Group's liquidity positions were marginally healthy. As at 31 December 2019, the Group had cash and bank balances of approximately HK\$21.9 million (2018: approximately HK\$177.4 million). The Group had repaid approximately HK\$118.5 million to its controlling Shareholders during the FY2019, resulting in an obvious deterioration of current ratio and drastic decrease in cash and bank balances as at 31 December 2019.

The Group's aggregate interest-bearing borrowings amounted to approximately HK\$248.5 million as at 31 December 2019 (2018: approximately HK\$368.0 million) comprised bank borrowings of HK\$3.0 million (2018: HK\$4.0 million) and loans from shareholders of approximately HK\$364.0 million (2018: approximately HK\$245.5 million), representing a very high gearing ratio of approximately 683.5% (2018:



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approximately 987.7%). The Group had repaid HK\$118.5 million to the controlling Shareholders during the FY2019, resulting in an obvious improvement in the gearing position as at 31 December 2019, but still at a relatively higher level.

### *Prospects and latest development*

Subsequent to the completion of phase 1 of the Zhongjie Project, planning of phase 2 of the Zhongjie Project has been commenced in the first quarter of 2020. Phase 2 development thereof consists of 2 complexes. The relevant land use rights of the first complex had been obtained and the construction work planning permit has been obtained in September 2020. The main construction works of the first complex have just been commenced in early November 2020, and the pre-sale has started upon obtaining a pre-sale certificate from the authority on 24 December 2020.

As advised by the Company, the planning and design stage of the Phase 1 of Huanghua Project has been started, which is expected to be completed in the second quarter of 2021.

Looking forward, the global market will continue being shadowed by economic, political and public health risks, including the US-Sino trade war, the political campaigns in Hong Kong and the COVID-19 pandemic that will cast impact on every business sector of the world, which in turn will affect the global economic growth. Despite the foregoing challenges, the Management believes that business opportunities will always exist. The Group will be cautious in capital allocation in its businesses and in any other business sector which is expected to bring in positive impact on the Group's profitability and cash flow, which in turn would be beneficial to the Shareholders.

On 24 September 2020, the Company received a letter from the GEM Listing Committee, notifying the Company that the GEM Listing Committee had decided to uphold the decision to suspend trading in the Shares under GEM Listing Rule 9.04(3) (the "**LC's Decision**") as it was of the view that the Company failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 17.26 of the GEM Listing Rules to warrant the continued listing. However, on 29 September 2020, the Company submitted a request for a review by the GEM Listing Review Committee in relation to the LC's Decision. The hearing of the review of the LC's Decision by the GEM Listing Review Committee was held on 12 January 2021. On 27 January 2021, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the LC's Decision to suspend trading in the Shares under Rule 9.04 of the GEM Listing Rules on the ground that the Company had failed to comply with Rule 17.26 of the GEM Listing Rules. At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 28 January 2021.

### *Conclusion*

The Group has limited scale of operation in terms of revenue, while its operating results had not been satisfactory over the past three FYs from 2017 to 2019 and the six months ended 30 June 2020, even though there was a large profit recorded for the nine months ended 30 September 2020 mainly due to the gain on disposal of financial assets to



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be recognised. The Group's operation has been relying on its controlling Shareholder's continuing financial support in recent FYs instead of operating cash inflow from its ordinary and usual course of business operation, so it had very high gearing positions at the year/period end dates up to 30 June 2020. Despite of the Group's persistent loss-making performance, the Group had marginally healthy working capital positions at the recent year/period end dates up to 30 June 2020.

Following the above financial analysis on the Group, we consider that the Continuing Connected Transactions can provide additional revenue and operating cash inflow to the Group in the coming four FYs, so which is conducted in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of Group and the Shareholders as a whole.

### 3. Background of the contracting parties

#### *SCHC Group*

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

#### *Nanjing Electrical*

Nanjing Electrical is an industrial company in the PRC, which is an indirect wholly-owned subsidiary of SCHC. The Project is 100% owned by Nanjing Electrical.

#### *Cangzhou Real Estate*

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

### 4. Reasons for and benefits of the Engagements

As mentioned in the "Letter from the Board" of the Circular (the "**Board Letter**"), the Project is located in Nanjing, Jiangsu Province, the PRC, which is pending for development. SCHC Group does not have its property development professional team in Nanjing. On the other hand, the Group has solid experience (including having its own professional team) in management (including but not limited to pre-development, design, planning and construction) of small to medium scale property projects, e.g. the Group has commenced the main construction works in Block 3 of Zhongjie Project, and started the pre-sale upon obtaining a pre-sale certificate from the authority on 24 December 2020. In addition, the Group has started (i) the planning and design stage of Huanghua Project, which is expected to be completed in the second quarter of 2021; and (ii) the pre-development stage of Sicundian Project (including obtaining the construction work commencement permit), which is expected to be completed in the first half of 2021. The site area for the Project is about 9,499.2 sq.m., which is considered to be a small scale property project that the Group is experienced in.

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Cangzhou Real Estate has conducted due diligence on the Project. Based on the information available to Cangzhou Real Estate, (i) the change in use of land of the Project is in line with the local planning as stated in 市政府辦公廳關於深入推進城鎮低效用地再開發工作實施意見 (Advice by Municipal Government Office regarding Implementation of Intensive Promotion of Re-development of Low Efficient Land)\* dated 27 May 2019 (the “**Government Opinion**”); and (ii) the local government authority and Nanjing Electrical have reached a preliminary understanding on the change in use of land, the Board views that the application in relation to change in use of land for Engagement II is a kind of administrative matter which will not be having much difficulty so long as all required procedures are completed in a proper manner despite Cangzhou Real Estate has not got any past experience in handling such new arrangement in change the use of land. Given the foregoing, a senior officer of Cangzhou Real Estate, who has experience in coordinating with the land authority, has been assigned to coordinate closely with the local authority for ensuring the application procedures are complied with after Engagement I.

The Engagement I is the preparation work for planning and construction, which is regarded as part of the project management services. Given the manpower involved and nature of works in the Engagement I are different from that of the Engagement II, and the Engagement II is subject to completion of Engagement I, Cangzhou Real Estate and Nanjing Electrical have reached an agreement to have different fees for provision of respective services for the Engagement I and the Engagement II. However, both Engagements are of project management in nature.

The Board believes that it is the best interests of the Group to further expand its scope of services in the property development segment. The project management services provided by project management companies are typically transformed from traditional property development. The main difference between the project management companies and traditional property developers are (i) the project management companies do not own the project itself; and (ii) the project management companies receive service fees in return for their project management services while the traditional property developers recognize return through the sales of and rental income from premises/units upon completion of a project. The Board considers that the engagement in project management services may widen the scope of business opportunities by utilizing its current experience and expertise in property development without further incurring substantial labour costs and capital injection required in exploring a new business, which in turn is expected to generate additional revenue to the Group. Therefore, the engagement in project management services would be beneficial to the Shareholders.

Based on the information available to the Board, the land where the Project is situated is currently let to tenants for industrial use and given (i) the upcoming expiration of most of the tenancies thereof; and (ii) the release of the Government Opinion, the SCHC Group considers that the change in use of land is in line with the local planning and that the revenues from the commercial and residential development are expected to be much higher than that from its current leasing business, hence the SCHC Group considers that it is the right time to commence the Project.

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The Board is of the view that the Engagements will provide a steady stream of positive cash flow for the Group without bearing substantial commercial risk during the term of each of the Engagement Agreement I and the Engagement Agreement II (i.e. next twelve months from the Effective Date and next thirty-six months from the date of obtaining the Land Certificate). Despite the Project is not owned by the Group, the Board believes that it is a good opportunity for the Group to expand its (i) property development portfolio from Beijing-Tianjin-Hebei (京津冀) urban agglomeration to Yangtze Delta region in the PRC, which would enhance its sustainability in property development sector; and (ii) scope of services in the project management (i.e. the change in use of land). The Group is able to enjoy an advantage of economies of scale in the Engagements, since it has already had a professional team for property development and the functions of back-office (including but not limited to engineering, legal and finance) could be shared among the projects. The Group would continue to seek other opportunity for provision of similar project management services from other parties in the future for expansion of such business segment.

As at the Latest Practicable Date, Cangzhou Real Estate has about 50 staff. The Board believes that the current manpower and resources of Cangzhou Real Estate are sufficient to discharge such common back-office functions as engineering, legal and finance etc. for Zhongjie Project, Huanghua Project, Sicundian Project and the Engagement I. Cangzhou Real Estate will recruit some on-site personnel for the Engagements when necessary. The Directors currently do not see any difficulty in this regard.

Given the facts that the Group has its niche industry professionalism to manage relatively smaller property development project and the Engagements can provide additional revenue, profit and operating cash inflow to the Group in the coming twelve (12) months for the Engagement I and subsequently thirty-six (36) months for the Engagement II, with the common directors of the Company and SCHC all abstained from voting on the board resolutions of the Company in relation to the Engagements and Mr. Ng and his associates will be abstain from voting on the resolutions approving the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder at the EGM.

After taking into account of the above factors, the Board is of the view that each of the Engagements is on normal commercial terms, and that the terms of each of the Engagement Agreement I and the Engagement Agreement II are fair and reasonable and for the interests of the Company and the Shareholders as a whole.

Having considered the background information of the Group and the reasons behind of entering into the Engagements, we are of the view that each of the Engagements is in line with the Group's long-term business strategy, because project management is incidental and ancillary to its focus on the key business segment of property development and therefore conducted in the ordinary and usual course of business of the Group, while the terms of each of the Engagement Agreements (including the proposed annual caps) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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### 5. Principal terms and conditions of the Engagement Agreements

#### *Principal terms*

Set out below is a summary of principal terms and conditions of each of the Engagement Agreement I and the Engagement Agreement II, respectively:

	<b>Engagement Agreement I</b>	<b>Engagement Agreement II</b>
Date of agreement	: 31 December 2020	31 December 2020
Contracting parties	: <ul style="list-style-type: none"><li>● Nanjing Electrical</li><li>● Cangzhou Real Estate</li></ul>	<ul style="list-style-type: none"><li>● Nanjing Electrical</li><li>● Cangzhou Real Estate</li></ul>
Nature of services to be provided	: Provision of pre-development management services for: <ul style="list-style-type: none"><li>● the application for and processing of all necessary licences, permits and approvals in relation to the development of the Project (including but not limited to applying for “低效用地再開發 (redevelopment of lower efficient usage of land)” (i.e. change in use of land)) for the land on which the Project is situated and obtaining official approval of the application;</li><li>● coordination with relevant government departments (including but not limited to coordination with the land and resources department for assessment of additional land premium for the change in use of land); and</li><li>● overall positioning, implementation and planning of the Project.</li></ul>	Provision of overall project development management services, including but not limited to the planning, design, cost control, construction support, selection and management of contractors and project managers, overall management of quality and completion progress, and resolving all disputes arising in the construction progress under the tenure of the Project etc..  Please refer to the Board Letter for fuller details of service scope under the Engagement Agreement II.

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	<b>Engagement Agreement I</b>	<b>Engagement Agreement II</b>
Term	: 12 months from the Effective Date, or up to 18 months in total upon mutual agreement between Nanjing Electrical and Cangzhou Real Estate, which was determined between Nanjing Electrical and Cangzhou Real Estate by taking into account of size, nature and the preliminary design of the Project	36 months from the date of obtaining the Land Certificate, which was determined between Nanjing Electrical and Cangzhou Real Estate by taking into account of size, nature and the preliminary design of the Project  For the avoidance of doubt, if Nanjing Electrical fails to obtain the Land Certificate within 24 months after the effective date of the Engagement Agreement II, Cangzhou Real Estate shall have the right to terminate the Engagement Agreement II and shall have no obligation to provide services thereunder. The effective date of the Engagement Agreement II is the date on which all conditions precedent set out in the Engagement Agreement II are fulfilled.
Engagement fee	: RMB12 million (i.e. RMB1.0 million x 12 months, representing a mark-up of 40% on the estimated costs (approximately RMB600,000 per month, which are mainly staff and general administrative costs) of Cangzhou Real Estate for the Engagement I)	RMB50.4 million (i.e. RMB1.4 million x 36 months, representing a mark-up of 40% on the estimated costs (approximately RMB800,000 per month, which are mainly staff and general administrative costs) of Cangzhou Real Estate for the Engagement II)

### ***Basis of determining the engagement fee***

The engagement fee for each of the Engagements was determined after arm's length negotiations between Nanjing Electrical and Cangzhou Real Estate after taking into account of (i) the engagement fee for providing similar services charged by Cangzhou Real Estate on Sicundian Project (i.e. a mark-up of 40% on the estimated costs of RMB600,000 and RMB800,000 for the Engagement I and the Engagement II, respectively; (ii) the prevailing market price of similar services (a mark-up of approximately 40% on the cost, by referring to the interim report for the six months ended 30 June 2020 of Green Town Management Holdings Company Limited (綠城管理控股有限公司) (“**Green Town**”), a company listed on the Main Board of the Stock Exchange (stock code: 9979), which is a leading project management company in the

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PRC real estate market in terms of total revenue according to its prospectus dated 29 June 2020); (iii) immediate availability of resources of Cangzhou Real Estate; and (iv) solid experience of Cangzhou Real Estate in property development.

We have obtained from the Management the cost budget for each of the Engagements for review. Based on our independent review and assessment thereon, we understand that the staff number in different functional departments of Cangzhou Real Estate involved in the Engagement I will be fewer than those in the Engagement II, mainly because fewer construction, sales and promotional staff would yet be required at the stage of the Engagement I. The Group has budgeted its cost to be incurred for the Engagement I at approximately RMB0.6 million per month, and then marked up a gross profit margin of 40% thereon so as arriving at the respective monthly and total project management fee of RMB1.0 million and RMB12.0 million for the Engagement I. Similar budgets of cost and management fee are also adopted and calculated for the Engagement II, but the respective monthly and total project management fee thereof would amount to RMB1.4 million and RMB50.4 million, mainly because 16 additional staff, such as finance, cost control, construction, sales and promotional staff would be involved in the Engagement II so as leading to the increase in monthly and total project management fee therefor accordingly. Based on such review and assessment, we consider that the project management fee for each of the Engagement I and the Engagement II shall be commercially justifiable, fair and reasonable and on normal commercial terms.

According to some public forum websites of 百度 (Baidu) in the PRC, such as <https://zhidao.baidu.com>, typical project management fee in the PRC construction industry/market is proportional to the total construction cost of a construction project, and generally accounted for a range of 6.05% to 9.07% on the construction value of each construction project, which we consider can provide for Independent Shareholders' general understanding about construction project management fee level in the industry. Based on this understanding, the aggregate project management fee rate accounted for approximately 8.80% under the Engagements (based on the estimated total construction cost of approximately RMB710 million to be incurred for the Project) is comparable to that of the market, given that determination of project management fee rate for a construction project is a commercial decision between project manager and property developer on case by case basis.

Based on our understanding from the Management, the Group has negotiated the project management fee rate based on the prevailing market price of similar services and its own estimated management cost of undertaking the management work for the Project. We have conducted independent research for and review of market information from Green Town, which, according to its prospectus dated 29 June 2020, has been a leading project management company in the PRC real estate market in terms of total revenue and newly contracted gross floor areas in 2019 and accumulated contracted gross floor areas from 2017 to 2019. As disclosed in Green Town's interim report, Green Town had its gross profit margin of 39.9% for its business segment of commercial project management for the six months ended 30 June 2020. On such basis, we have compared the gross profit margins between the management work for the Project and the business segment of "commercial project management" of Green Town, and considered that the project



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management fee under the Engagements with internally estimated gross profit margin of around 40% of the total project management fee receivable shall be consistent with the market norm, and therefore on normal commercial terms. Given Green Town has been the largest and leading property management company in the PRC whose operating performance is indicative in its industry, we consider making reference to, and comparison with, it to be a reliable, fair and representative sample.

Based on our independent research from the PRC government website at [www.gov.cn](http://www.gov.cn), where the 中華人民共和國財政部 (the Ministry of Finance of the PRC) had issued a 《基本建設項目建設成本管理規定》 (Notice of Basic Construction Project Construction Cost Management Requirement) stipulating the project management fee level shall be charged for a construction project at progressive rates from 2% to 0.4% depending on the progressively increasing construction value of each construction project (the “**Government Stipulated Rate**”). If the Government Stipulated Rate is strictly applied to the Project, the project management fee for the Project would be RMB7.08 million, representing merely 1.0% of the estimated total construction cost of the Project of approximately RMB710 million. On such basis, we consider that the project management fee rate for the Engagements at around 8.80% on the total construction costs of the Project is much better than the Government Stipulated Rate and therefore favourable to the Group, and in the interests of the Group and the Shareholders as a whole.

We have reviewed and understood from a sample of 建設工程監理合同 (Construction Work Management Contract) issued by 中華人民共和國住房和城鄉建設部 (the Ministry of Housing and Urban-Rural Development Bureau of the PRC), where it has stipulated that payment terms of a construction project shall generally be payable in four to five instalments at different stages of the construction work during the tenure of a construction project until completion. According to the Engagement Agreements, the total engagement fees in respect of the Engagements of RMB62.4 million (i.e. RMB1.0 million x 12 months, plus RMB1.4 million x 36 months) shall be paid by Nanjing Electrical to Cangzhou Real Estate in cash advance on monthly basis, which we consider to be on normal commercial terms or even slightly favourable to the Group in terms of cash flow effect on the Group, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

### *Conditions precedent*

The Engagement Agreements, comprising the Engagement Agreement I and the Engagement Agreement II, are conditional upon the fulfilment of both the following conditions:

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

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

As at the Latest Practicable Date, condition numbered (i) has been fulfilled.

**6. Assessment of the proposed annual caps**

Since the term thereof shall be (i) twelve (12) months from the Effective Date (assuming the Effective Date will be on the Long Stop Date) for the Engagement Agreement I; and (ii) thirty-six (36) months from the date of obtaining the Land Certificate for the Engagement Agreement II, the maximum proposed annual caps for the Continuing Connected Transactions contemplated under the Engagement Agreements for each of the five FYs from 2021 to 2025 are as follows:

<b>Period</b>	<b>Number of months</b>	<b>Monthly fee <i>RMB'000</i></b>	<b>Proposed annual caps <i>RMB'000</i></b>
<b>Engagement I</b>			
For the FY2021 (commencing from the Effective Date)	11	1,000	11,000
For the FY2022	1	1,000	1,000
			12,000
<b>Engagement II</b>			
For the FY2022 (commencing from the date of obtaining the Land Certificate)	11	1,400	15,400
For the FY2023	12	1,400	16,800
For the FY2024	12	1,400	16,800
For the FY2025	1	1,400	1,400
			50,400
<b>Total</b>			<u><u>62,400</u></u>

As indicated in the above, the proposed annual caps under the Engagement Agreements are simply allocated for the remaining period ending 31 December 2021 and the four years ending 31 December 2025, which are commensurate with the total project management fee of RMB12.0 million and RMB50.4 million receivable on monthly basis under each of the Engagement I and Engagement II, respectively, which we consider to be prudent and logical.

Based on the above analysis and consideration, we are of the view that the basis adopted by the Management in determining the proposed annual caps thereunder is prudent, justifiable, fair and reasonable; while the entering into of each of the Engagement Agreements (including



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the proposed annual caps) is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as whole.

### **7. Measures to ensure compliance with the GEM Listing Rules**

In compliance with the annual review requirements under the GEM Listing Rules, the Company will comply with the following during the term of each of the Engagement Agreements in relation to the Continuing Connected Transactions:

- (i) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts of the Company that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the Engagement Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the Continuing Connected Transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Company if the Continuing Connected Transactions involves provision of goods or services by the Company; (c) have been entered into in accordance with the relevant agreement governing the transactions; and (d) have not exceeded the proposed annual caps;
- (iii) the Company will allow, and will procure that the counter-parties (i.e. the SCHC Group and Nanjing Electrical) will allow, the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of reporting on the Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the GEM Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

In light of the requisite reporting requirements attached to the Continuing Connected Transactions, and having considered, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the proposed annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the Continuing Connected Transactions and the proposed annual caps not being

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exceeded, we are of the view that appropriate measures will be in place to govern and monitor the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, we are of the view that the Continuing Connected Transactions (including the proposed annual caps) contemplated under each of the Engagement Agreements are conducted in the ordinary and usual course of business of the Group, and on normal commercial terms or even better, 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 advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of each of the resolutions to be proposed at the forthcoming EGM to approve the Continuing Connected Transactions (including the proposed annual caps) and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**  
**Nicholas Cheng**  
*Director*

*Note:* Mr. Nicholas Cheng has been the Responsible Officer of Type 6 (advising on corporate finance) regulated activity under the SFO, and has extensive experience in the corporate finance industry. He has been participating in the provision of independent financial advisory services for, and completed, numerous connected transactions involving companies listed in Hong Kong.

## 1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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

### (i) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests of Directors in the Shares, underlying shares and debentures (within the meaning of Part XV of the SFO) of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required to be: (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which a Director or chief executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code of the GEM Listing Rules were as follows:

Name of Directors	Capacity	Personal interests	Number of Shares held			Total interests	Approximate percentage of total interests to total issued Shares
			Family interests	Corporate interests			
Mr. Ng	Beneficial owner/ Interest of spouse/ Interest of controlled corporations	363,393,739	967,923,774	5,925,861,298 <i>(Note (a))</i>	7,257,178,811	64.92%	
Mr. Paul Ng	Beneficial owner	2,602,667	—	—	2,602,667	0.02%	

**(ii) Long position in underlying shares-share options**

Under the share option scheme of the Company, options may be granted to the Directors and employees and to certain eligible participants of the Company as defined in the share option scheme to subscribe for the Shares. As at the Latest Practicable Date, the following Directors had personal interests in the following share options granted to them to subscribe for the Shares:

Name of Directors	Capacity	Number of underlying Shares	Approximate percentage of total interests to total issued Shares
Ms. Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 <i>(Note (b))</i>	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 <i>(Note (b))</i>	0.75%

*Notes:*

- (a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("**Bannock**"), 1,150,004,797 Shares held by Earntrade Investments Limited ("**Earntrade**"), 1,817,140,364 Shares held by Fung Shing Group Limited ("**Fung Shing**"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("**Parkfield**"), 76,464,373 Shares held by Ronastar Investments Limited ("**Ronastar**"), 65,104,000 Shares held by Green Orient Investments Limited ("**Green Orient**"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via SCHC. Bannock was a wholly-owned subsidiary of Earntrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("**Mr. Gorges**") and 20% by Ms. Cheung. SCHC was owned as to approximately to 61.22% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Earntrade.
- (b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012.

### 3. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors, supervisors and chief executives of the Company, the persons (other than Directors, supervisors or chief executives of the Company) who have 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 as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity	Beneficial interests	Number of Shares held			Total interests	Approximate percentage of total interests to total issued Shares
			Family interests	Corporate interests			
Earntrade	Beneficial owner/ Interest of controlled corporations	1,150,004,797	—	1,088,784,847 <i>(Note (a))</i>		2,238,789,644	20.03%
Fung Shing	Beneficial owner	1,817,140,364	—	—		1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	—	—		1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 <i>(Note (a))</i>	—	—		1,088,784,847	9.74%
Ms. Ng Lai King Pamela ("Ms. Ng")	Beneficial owner/ Interest of spouse	967,923,774	6,289,255,037 <i>(Note (b))</i>	—		7,257,178,811	64.92%

*Notes:*

- (a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.
- (b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the chairman and an executive director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and chief executives' interests in the Company or its associated corporations" above.

Save as disclosed above, as at the Latest Practicable Date and so far as is known to any Director or chief executive of the Company, no other person had an interest or short position in the Shares and 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.

#### 4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Engagement Agreement I and the Engagement Agreement II, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

#### 5. COMPETING INTEREST

The Company, SCHC and South China Financial Holdings Limited (“SCF”), being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment business, provision of investment advisory, asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Mr. Gorges, all being executive Directors, are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive directors of SCF. Ms. Ng Yuk Mui Jessica, an executive Director, is also a non-executive director of SCHC and the executive director of SCF. Mr. Paul Ng, a non-executive Director, is also an executive director of SCHC. Ms. Pong Oi Lan Scarlett, BBS, J.P., an independent non-executive Director, is also an independent non-executive director of SCHC.

Mr. Ng, who is the chairman of the board and controlling shareholder of SCHC, is also the chairman of the board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with his associates, holds approximately 61.22% interests in SCHC and Mr. Ng holds approximately 29.36% interests in SCF.

Ms. Cheung holds certain shareholding interests in SCHC and SCF. Mr. Gorges holds certain shareholding interests in SCF. Ms. Ng Yuk Mui Jessica holds certain shareholding interests in SCHC. Mr. Paul Ng holds certain shareholding interests in SCHC and SCF.

The Group seeks to undertake property development projects in small to medium size and diversify into the financial services businesses while SCHC mainly focuses on the larger scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or is likely to compete with each other and, therefore, do not control the board of each of the Company, SCHC and SCF as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable

of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraphs, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

## 6. DIRECTORS' SERVICE CONTRACT

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 year without payment of compensation (other than statutory compensation).

## 7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge information and belief, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group that would have a material adverse effect on the results of operations or financial conditions of the Group.

## 8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, had been entered into by members of the Group after the date falling two (2) years prior to the issue of this Circular and up to the Latest Practicable Date and which are or may be material:

- (i) the Joint Venture Agreement;
- (ii) the Sale and Purchase Agreement;
- (iii) the Sicundian Engagement Agreement;
- (iv) the Engagement Agreement I; and
- (v) the Engagement Agreement II.

## 9. MATERIAL ADVERSE CHANGE

An announcement was made by the Company on 3 April 2020 in relation to the Stock Exchange's decision that the Company had failed to maintain a sufficient level of operation and assets of sufficient value to support its operations under GEM Listing Rule 17.26 to warrant the continued listing of the Shares and decided to suspend trading in the Shares under GEM Listing Rule 9.04(3) (the "**Decision**"). Under GEM Listing Rules 4.06(1) and 4.08(1), the Company has the right to request the Decision be referred to the GEM Listing Committee for a review. The Company has made another announcement on 15 April 2020 in relation to the application for a review of the Decision to the GEM Listing Committee.

The review hearing of the Decision by the GEM Listing Committee was taken place on 9 September 2020. On 24 September 2020, the Company received a letter dated the same day from the GEM Listing Committee, notifying the Company that the GEM Listing Committee had decided to uphold the Decision to suspend trading in the Shares under GEM Listing Rule 9.04(3) (the “LC’s Decision”) as it was of the view that the Company failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under GEM Listing Rule 17.26 to warrant the continued listing. On 29 September 2020, the Company submitted a request for a review by the GEM Listing Review Committee in relation to the LC’s Decision. The review hearing of the LC’s Decision by the GEM Listing Review Committee was taken place on 12 January 2021.

On 27 January 2021, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the LC’s Decision to suspend trading in the Company’s shares under GEM Listing Rule 9.04 on the ground that the Company had failed to comply with GEM Listing Rule 17.26.

At the request of the Company, trading in shares of the Company has been suspended with effect from 9:00 a.m. on 28 January 2021.

Details are set out in the announcements of the Company dated 3 April 2020, 15 April 2020, 24 September 2020, 29 September 2020 and 27 January 2021.

Save as disclosed above, as at the Latest Practicable Date, the Board was not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 10. QUALIFICATIONS AND CONSENT OF EXPERT

The following sets out the qualifications of the expert who has given its opinion or advice as contained in this Circular:

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

As at the Latest Practicable Date, the above expert did not have any shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which had been, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by, or leased to, any member of the Group, or proposed to be so acquired or disposed of, or leased to any member of the Group.



As at the Latest Practicable Date, the above expert has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and/or reports and references to its name and its letter and/or reports in the form and context in which they respectively appear.

## **11. MISCELLANEOUS**

- (i) The registered office of the Company is at P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and the head office and principal place of business in Hong Kong is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.
- (ii) The principal share registrar and transfer office of the Company is Suntera (Cayman) Limited of 3rd Floor, Royal Bank House, 24 Shedden Road, P.O. Box 1586, George Town, Grand Cayman, KY1-1110, Cayman Islands. The branch share registrar and transfer office of the Company is Union Registrars Limited of Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (iii) The company secretary of the Company is Mr. Watt Ka Po James, who is a fellow member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (iv) The English text of this Circular and the accompanying form of proxy shall prevail over the Chinese text in the case of inconsistency.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the head office and principal place of business of the Company in Hong Kong at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours on any business day from the date of this Circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the Engagement Agreement I;
- (iii) the Engagement Agreement II;
- (iv) the material contracts as referred to in the paragraph headed "8. Material contracts" in this Appendix;
- (v) the written consent as referred to in the paragraph headed "10. Qualifications and consent of expert" in this Appendix;
- (vi) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this Circular;
- (vii) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this Circular;

- (viii) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this Circular; and
- (ix) this Circular.



**SOUTH CHINA ASSETS HOLDINGS LIMITED**

**南華資產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08155)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of South China Assets Holdings Limited (the “**Company**”) will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 23 February 2021 at 10:00 a.m. to consider and, if thought fit, pass the following resolution as ordinary resolution:

**ORDINARY RESOLUTION**

**“THAT**

- (a) a conditional engagement agreement dated 31 December 2020 (the “**Engagement Agreement I**”) (a copy of the Engagement Agreement I has been produced at the meeting and marked “**A-I**” and initialed by the chairman of the meeting for the purpose of identification) entered into between 南京電機有限公司 (Nanjing Electrical Limited)\* (“**Nanjing Electrical**”) and 滄州南華房地產開發有限公司 (Cangzhou South China Real Estate Development Limited)\* (“**Cangzhou Real Estate**”) in relation to the provision of pre-development management services by Cangzhou Real Estate to Nanjing Electrical and all the transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed;
- (b) a conditional engagement agreement dated 31 December 2020 (the “**Engagement Agreement II**”) (a copy of the Engagement Agreement II has been produced at the meeting and marked “**A-II**” and initialed by the chairman of the meeting for the purpose of identification) entered into between Nanjing Electrical and Cangzhou Real Estate in relation to the provision of project development management services by Cangzhou Real Estate to Nanjing Electrical and all the transactions contemplated thereunder and in connection therewith, be and are hereby approved, ratified and confirmed; and

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## NOTICE OF EGM

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- (c) any director of the Company be and is hereby authorised to take all such steps, do all such acts and things and execute all such documents which he/she may in his/her absolute discretion, consider necessary, desirable or expedient in connection with or to implement or give effect to the Engagement Agreement I and the Engagement Agreement II and the respective transactions contemplated thereunder.”

By order of the board of directors of  
**South China Assets Holdings Limited**  
南華資產控股有限公司  
**Watt Ka Po James**  
Company Secretary

Hong Kong, 3 February 2021

*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. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares and entitled to attend and vote at the meeting convened by the above notice is entitled to appoint more than one proxy to represent him and vote on his behalf. A proxy need not be a member of the Company.
2. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 48 hours before the time of the EGM or any adjourned meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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## NOTICE OF EGM

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5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, 18 February 2021 to Tuesday, 23 February 2021 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 17 February 2021.
6. Proxy Form for use at the EGM is enclosed with the circular to the shareholders of the Company.
7. The ordinary resolutions set out above will be determined by way of a poll.
8. To safeguard the health and safety of the shareholders of the Company and to prevent the spreading of the COVID-19 pandemic, certain precautionary measures will be implemented at the EGM, including (i) compulsory temperature screening/checks; (ii) wearing of surgical face mask; and (iii) no provision of refreshments or drinks or souvenir. Attendees who do not comply with the precautionary measures referred to in (i) and (ii) above may be denied entry to the EGM venue, at the absolute discretion of the Company as permitted by law. Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the EGM venue. For the health and safety of the shareholders of the Company, the Company would like to encourage shareholders of the Company to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.
9. As at the date of this notice, the board of directors of the Company comprises (i) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Ms. Ng Yuk Mui Jessica as executive directors; (ii) Mr. Ng Yuk Yeung Paul as non-executive director; and (iii) Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang as independent non-executive directors.

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