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SOUTH CHINA HOLDINGS COMPANY LIMITED

南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00413)



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)

JOINT ANNOUNCEMENT —

**(1) PROPOSED DISTRIBUTION OF THE
CONVERSION SHARES ISSUABLE UPON CONVERSION OF THE
REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN
SOUTH CHINA HOLDINGS COMPANY LIMITED HELD BY
CRYSTAL HUB LIMITED IN SPECIE
TO THE SHAREHOLDERS OF
SOUTH CHINA ASSETS HOLDINGS LIMITED
AS AT THE APPLICABLE RECORD DATE;
AND
(2) PROPOSED ALTERATIONS IN THE TERMS OF
THE REDEEMABLE CONVERTIBLE PREFERENCE SHARES IN
SOUTH CHINA HOLDINGS COMPANY LIMITED;
AND
(3) PROPOSED AMENDMENTS TO THE
ARTICLES OF ASSOCIATION OF
SOUTH CHINA HOLDINGS COMPANY LIMITED**

DECLARATION OF SPECIAL DIVIDEND BY DISTRIBUTION IN SPECIE

The SCAH Board is pleased to announce that, on 29 July 2016, it resolved to declare a special dividend by distribution of the Distribution CPSs currently held by Crystal Hub, a wholly-owned subsidiary of SCAH, to the Qualifying Shareholders, whose names appear in the register of members of SCAH as at the Record Date, in specie in the form of Conversion Shares on a pro-rata basis based on the respective shareholdings of the SCAH Shareholders as recorded in the register of members of SCAH as at the Record Date. Assuming no change in the shareholding structures of SCAH and SCHC during the period from the date of this announcement to the Record Date, the Distribution will be made on the basis of approximately 0.3963 Conversion Share for every SCAH Share held by the SCAH Shareholders.

Conversion of the Distribution CPSs

According to the terms of the CPSs,

- (a) upon conversion of the CPSs, SCHC shall (i) issue and deliver the certificate(s) of the Conversion Shares to the relevant converting CP Shareholder; or (ii) if so instructed by the converting CP Shareholder, issue the Conversion Shares in the name of HKSCC Nominees Limited and cause them to be deposited into CCASS and credited into the stock account of the designated CCASS Investor Participant or CCASS Participant; and
- (b) if the issue of Conversion Shares following the exercise of the conversion rights attached to any of the CPSs held by a CP Shareholder would (a) trigger a mandatory general offer under the Takeovers Code; or (b) render SCHC not meeting the public float requirement under the Listing Rules immediately after such conversion, the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Conversion Shares issuable by SCHC which would not in its reasonable opinion result in a mandatory general offer being triggered or a breach of the said public float requirement and the balance of the conversion rights attached to the relevant CPSs shall be suspended until such time when SCHC is able to issue additional Conversion Shares in satisfaction of the exercise of such balance of conversion rights without triggering a mandatory general offer or resulting in a breach of the public float requirement.

In view of the above terms of the CPSs, conversion of the Distribution CPSs for Distribution purposes in the manners set out in (a) above will be impracticable, or result in undue administrative work (please refer to the section headed “Conversion of Distribution CPSs” below for details). Thus, the SCHC Board and SCAH Board proposed to seek the approvals from the SCHC Independent Shareholders and SCAH Independent Shareholders, respectively, for the alterations in terms of the CPSs and the consequential amendments to the SCHC Articles (for SCHC only) to enable SCHC to issue Conversion Shares to the person(s) designated by the converting CP Shareholder pursuant to a conversion of CPSs so that, upon conversion of the Distribution CPSs, the Relevant Conversion Shares can be issued and allotted directly to the Qualifying Shareholders all at once rather than to Crystal Hub for onward transfer to the Qualifying Shareholders by numerous batches to fulfill the requirements under the existing terms of the CPSs and SCHC Articles.

Conditions to the Distribution

The Distribution is conditional on, among others, (i) the approval from the Stock Exchange for the alterations in terms of the CPSs under the Supplemental Deeds; (ii) the SCAH Shareholders’ approval for the Distribution by ordinary resolution at the SCAH EGM; (iii) the SCAH Independent Shareholders’ approval for the alterations in terms of the CPSs contemplated under the Supplemental Deeds by ordinary resolution at the SCAH EGM; (iv) the SCHC Independent Shareholders’ approval for the alterations in terms of the CPSs under the Supplemental Deeds by ordinary resolution at the SCHC EGM; and (v) the SCHC Independent Shareholders’ approval for the amendments to the SCHC Articles by special resolution at the SCHC EGM.

PROPOSED ALTERATIONS IN TERMS OF THE CPSs

On 29 July 2016, (i) Crystal Hub and Even Dragon; (ii) Crystal Hub and Perennial Success; and (iii) Crystal Hub, Perennial Success and Profit Runner, respectively, entered into three separate conditional Supplemental Deeds whereby the terms of the CPSs are altered to allow the issue and allotment of the Conversion Shares to not only the converting CP Shareholder but also the person(s) designated by the relevant CP Shareholder(s) directly upon conversion of the CPSs subject to, among others, (i) the approval of the Stock Exchange for the alterations in terms of the CPSs under Rule 16.03 of the Listing Rules; (ii) the approvals of the SCHC Independent Shareholders and SCAH Independent Shareholders by ordinary resolution at the SCHC EGM and SCAH EGM, respectively. Subject to the fulfillment of the above conditions, the alterations in terms of the CPSs shall take effect on the Record Date.

PROPOSED AMENDMENTS TO THE SCHC ARTICLES

As the abovementioned terms of the CPSs also formed part of the SCHC Articles, the SCHC Board also proposed to seek the approval of the SCHC Independent Shareholders for the consequential amendments to the SCHC Articles given the abovementioned alterations in the terms of the CPSs. Such proposed amendments to the SCHC Articles (subject to the SCHC Independent Shareholders' approval for the alterations in terms of the CPSs contemplated under the Supplemental Deeds), if approved by special resolution by the SCHC Independent Shareholders at the SCHC EGM, shall take effect on the Record Date.

LISTING RULES IMPLICATIONS

Even Dragon, Perennial Success and Profit Runner are wholly-owned subsidiaries of SCHC. Crystal Hub is a wholly-owned subsidiary of SCAH. Mr. Ng, the common controlling shareholder of each of SCHC and SCAH, is a connected person of SCHC and SCAH under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively.

As disclosed in the Published Documents, the CPSs were issued by SCHC to Crystal Hub pursuant to the Agreements in respect of certain connected transactions entered into among the abovementioned wholly-owned subsidiaries of SCHC and Crystal Hub in prior years. Such connected transactions, including the terms of the CPSs and the issue and allotment of Conversion Shares upon conversion of the CPSs, were previously approved by the then independent shareholders of each of SCHC and SCAH. The alterations in terms of the CPSs contemplated under the Supplemental Deeds constitute changes in the terms of the Agreements. Although such alterations in terms of the CPSs were not considered to be material, SCHC and SCAH opted to re-comply with Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively, on a voluntary basis taking into account the comments from the Stock Exchange with a view to protect the interests of the SCHC Independent Shareholders and SCAH Independent Shareholders. Accordingly, (a) SCHC will seek SCHC Independent Shareholders' approval for the alterations in terms of the CPSs contemplated under the Supplemental Deeds and the consequential amendments to the SCHC Articles; and (b) SCAH will seek SCAH Independent Shareholders' approval for the alterations in terms of the CPSs contemplated under the Supplemental Deeds. Mr. Ng, the common controlling shareholder of SCHC and SCAH and a connected person of SCHC and SCAH under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively, and his associates will abstain from voting in the resolutions approving (i) the alterations in terms of the CPSs contemplated under the Supplemental Deeds at both the SCHC EGM and SCAH EGM; and (ii) the consequential amendments to the SCHC Articles at the SCHC EGM.

Under the Agreements, the terms of the CPSs, which formed part of such Agreements, can be varied in writing by the parties thereto. As such, the abovementioned alterations in terms of the CPSs do not take effect automatically under the existing terms of the CPSs, and, therefore, is subject to the approval of the Stock Exchange under Rule 16.03 of the Listing Rules. As such, SCHC will seek the approval of the Stock Exchange for the alterations in terms of the CPSs under Rule 16.03 of the Listing Rules.

SCHC has established the SCHC Independent Board Committee to advise the SCHC Independent Shareholders as to whether (i) the alterations in terms of the CPSs contemplated under the Supplemental Deeds; and (ii) the consequential amendments to the SCHC Articles are fair and reasonable and in the interests of SCHC and the SCHC Shareholders as a whole. SCHC will appoint an independent financial adviser to advise the SCHC Independent Board Committee and the SCHC Independent Shareholders in connection with (i) the alterations in terms of the CPSs contemplated under the Supplemental Deeds; and (ii) the consequential amendments to the SCHC Articles.

SCAH has established the SCAH Independent Board Committee to advise the SCAH Independent Shareholders as to whether the alterations in the terms of the CPSs contemplated under the Supplemental Deeds are fair and reasonable and in the interests of SCAH and the SCAH Shareholders as a whole. SCAH will appoint an independent financial adviser to advise the SCAH Independent Board Committee and the SCAH Independent Shareholders in connection with the alterations in terms of the CPSs contemplated under the Supplemental Deeds.

GENERAL

A circular of SCHC containing, among others, details of the amendments to the SCHC Articles and the Supplemental Deeds, a letter from the SCHC Independent Board Committee to the SCHC Independent Shareholders containing the recommendation of the SCHC Independent Board Committee, a letter of advice from the independent financial adviser to the SCHC Independent Board Committee and the SCHC Independent Shareholders, together with a notice of the SCHC EGM will be despatched to the SCHC Shareholders as soon as practicable.

A circular of SCAH containing, among others, details of the proposed Distribution and the Supplemental Deeds, a letter from the SCAH Independent Board Committee to the SCAH Independent Shareholders containing the recommendation of the SCAH Independent Board Committee, a letter of advice from the independent financial adviser to the SCAH Independent Board Committee and the SCAH Independent Shareholders, together with a notice of the SCAH EGM will be despatched to the SCAH Shareholders as soon as practicable.

The Distribution is subject to, among others, the SCAH Shareholders' approval at the SCAH EGM and, hence, may or may not be made by SCAH. As such, there is no assurance as to whether the proposed Distribution will take place or when it will take place. The SCAH Shareholders, the SCHC Shareholders and potential investors should, therefore, exercise caution when dealing in securities of SCAH and SCHC.

INTRODUCTION

Reference is made to the Published Documents.

On 16 January 2013, 1,770,710,526 2013 CPSs were issued to Crystal Hub at an issue price of HK\$0.57 per 2013 CPS. Pursuant to the terms and conditions of the 2013 CPSs, each 2013 CPS shall be convertible into one SCHC Share at the initial conversion price of HK\$0.57 (subject to adjustment). There were redemptions of the 2013 CPSs subsequent to the issuance thereof.

On 11 April 2014, 441,176,470 2014 CPSs were issued to Crystal Hub at the issue price of HK\$0.68 per 2014 CPS. Pursuant to the terms and conditions of 2014 CPSs, each 2014 CPS shall be convertible into one SCHC Share at the initial conversion price of HK\$0.68 (subject to adjustment).

On 7 October 2015, 1,042,123,131 2015 CPSs were issued to Crystal Hub at an issue price of HK\$0.80 per 2015 CPS. Pursuant to the terms and conditions of 2015 CPSs, each 2015 CPS shall be convertible into two SCHC Shares at the initial conversion price of HK\$0.40 (subject to adjustment).

According to the terms and conditions of the respective CPSs, CP Shareholder(s) shall have the right to convert the CPSs into SCHC Shares at any time commencing from 3:00p.m. (Hong Kong time) on the business day immediately after the date of issue of the relevant CPSs (subject to the respective terms and conditions). There is no limit on the conversion period.

As at the date of this announcement, SCAH held a total of 2,671,442,127 CPSs through Crystal Hub. Assuming full conversion, such CPSs will result in a total of 5,301,913,822 SCHC Shares to be issued and allotted by SCHC after the adjustments to the conversion prices for the share sub-division of SCHC in July 2015 pursuant to the terms of the CPSs and the SCHC Articles.

DECLARATION OF SPECIAL DIVIDEND BY WAY OF DISTRIBUTION IN SPECIE

On 29 July 2016, the SCAH Board resolved to declare a special dividend by distribution of the Distribution CPSs currently held by Crystal Hub, a wholly-owned subsidiary of SCAH, to the Qualifying Shareholders whose names appear in the register of members of SCAH as at the Record Date, in specie in the form of Conversion Shares on a pro-rata basis based on the respective shareholdings of the SCAH Shareholders as recorded in the register of members of SCAH as at the Record Date. Assuming no change in the shareholding structures of SCAH and SCHC during the period from the date of this announcement to the Record Date, the Distribution will be made on the basis of approximately 0.3963 Conversion Share for every SCAH Share held by the SCAH Shareholders which was derived from the ratio of 4,429,843,560 Conversion Shares to 11,178,498,344 SCAH Shares currently in issue.

The Relevant Conversion Shares represents approximately 74.11% of the issued SCHC Shares as at the date of this announcement and approximately 42.57% of the issued SCHC Shares as enlarged by the issue of the Relevant Conversion Shares pursuant to the conversion of the Distribution CPSs assuming no change in the shareholding structure of SCHC other than the issue of the Relevant Conversion Shares during the period from the date of this announcement to the Record Date.

Conversion of Distribution CPSs

Under the terms of the CPSs, upon delivery of conversion notice and the certificate(s) evidencing the CPSs to be converted by the holder thereof to SCHC, (i) SCHC shall issue and deliver to such CP Shareholder (a) certificate(s) for the number of Conversion Shares into which the CPSs subject to such conversion are converted in the name as shown in the certificate(s) evidencing the CPSs so surrendered to SCHC or, if so instructed by such CP Shareholder, issue the number of Conversion Shares into which such CPSs are converted in the name of HKSCC Nominees Limited and cause them to be deposited into CCASS and credited into the CCASS Investor Participant stock account or the stock account of the designated CCASS Participant; and (ii) if the issue of Conversion Shares following the exercise by a CP Shareholder of the conversion rights attached to any of the CPSs held thereby would result in (a) such CP Shareholder and the parties acting in concert therewith (within the meaning of the Takeovers Code), taken together, directly or indirectly controlling or being interested in 30% or more of the entire issued voting share capital of SCHC as at the date of conversion and, hence, a mandatory general offer obligation being triggered under the Takeovers Code (unless such CP Shareholder and the parties acting in concert therewith make a general offer to acquire all the SCHC Shares not already owned by them or a whitewash waiver to waive the requirement for such CP Shareholder and the parties acting in concert therewith to make the mandatory general offer is approved by the independent shareholders of SCHC and is granted by the Executive Director of the Corporate Finance Division of the SFC); or (b) SCHC not meeting the public float requirement under the Listing Rules (as set out under Rule 8.08(1)(a) thereof) immediately after the conversion, the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Conversion Shares issuable by SCHC which would not in the reasonable opinion of SCHC result in the said mandatory general offer being triggered or a breach of the abovementioned public float requirement and the balance of the conversion rights attached to the CPSs, which the CP Shareholder seeks to convert, shall be suspended until such time when SCHC is able to issue additional Conversion Shares in satisfaction of the exercise of such balance of conversion rights and at the same time comply with the public float requirement or without triggering a mandatory general offer under the Takeovers Code.

Given the terms of the CPSs set out in the above, it will involve undue administrative workload, if not being infeasible, for SCAH to identify the stock account with which each and every Qualifying Shareholders deposits his/her/its SCAH Shares, be it a CCASS Investor Participant, a CCASS Participant stock account or otherwise, or to which such Qualifying Shareholder's pro-rata entitlement to the Relevant Conversion Shares to be deposited as designated by him/her/it. As such, it is impracticable for SCAH to instruct SCHC to issue the Relevant Conversion Shares in the name of HKSCC Nominees Limited for conversion of the Distribution CPSs for the Distribution.

Alternatively, in view of (i) the constraints in the issuance of Conversion Shares pursuant to conversion of CPSs under the existing terms of the CPSs and the SCHC Articles; (ii) the volume of the Relevant Conversion Shares; and (iii) the existing aggregate shareholdings of Mr. Ng, the common controlling shareholder of SCHC and SCAH, and his associates in SCHC and SCAH, which represent approximately 70.89% and 69.35% of the SCHC Shares and SCAH Shares, respectively, currently in issue as at the date of this announcement, the Distribution CPSs may be converted by:

- (a) SCHC issuing the Relevant Conversion Shares on a piecemeal basis by numerous batches if Crystal Hub serves a conversion notice to SCHC on behalf of SCAH for conversion of all the Distribution CPSs; or
- (b) SCAH serving numerous conversion notices to SCHC through Crystal Hub to convert the Distribution CPSs by batches.

Each batch of the Conversion Shares so issued to Crystal Hub shall be at the maximum number of Conversion Shares issuable by SCHC which would not in its reasonable opinion result in a breach of the public float requirement or mandatory general offer being triggered under the Takeovers Code following the conversion of the relevant batch of the Distribution CPSs. Upon completion of the transfer of a batch of Conversion Shares to the Qualifying Shareholders by Crystal Hub, SCHC shall issue another batch of Conversion Shares at the then applicable maximum number of the Conversion Shares issuable subject to the aforesaid constraints. Such cycle repeats until the Distribution CPSs are converted and distributed to the Qualifying Shareholders in full.

Besides the additional administrative work, the abovementioned piecemeal conversion of the Distribution CPSs may also result in more odd lots and/or fractional entitlements. To streamline the administrative work in respect of the Distribution for orderly handling and administrative convenience of the conversion of the Distribution CPSs on the part of SCHC and the distribution of the Relevant Conversion Shares to the SCAH Shareholders on the part of SCAH, the SCHC Board and SCAH Board proposed to seek the approval from the SCHC Independent Shareholders and SCAH Independent Shareholders, respectively, for the alterations in terms of the CPSs contemplated under the Supplemental Deeds to enable SCHC to issue Conversion Shares to the person(s) designated by such CP Shareholder pursuant to a conversion of CPSs so that, upon conversion of the Distribution CPSs for the Distribution, the Relevant Conversion Shares can be issued and allotted directly to the Qualifying Shareholders all at once rather than to Crystal Hub for onward transfer to the Qualifying Shareholders by numerous batches to fulfil the requirements under the existing terms of the CPSs.

The Listing Committee of the Stock Exchange had previously granted the approval for listing of, and permission to deal in, the Conversion Shares on the Main Board of the Stock Exchange.

Conditions to the Distribution

The Distribution is conditional on:

1. the approval from the Stock Exchange for the alterations in terms of the CPSs contemplated under the Supplemental Deeds pursuant to Rule 16.03 of the Listing Rules;
2. the SCAH Shareholders having passed the ordinary resolution to approve the Distribution at the SCAH EGM;
3. the SCAH Independent Shareholders having passed the ordinary resolution to approve the alterations in terms of the CPSs contemplated under the Supplemental Deeds at the SCAH EGM;
4. the SCHC Independent Shareholders having passed the ordinary resolution to approve the alterations in terms of the CPSs contemplated under the Supplemental Deeds at the SCHC EGM; and

5. the SCHC Independent Shareholders having passed the special resolution to approve the amendments to the SCHC Articles in respect of the alterations in the terms of the CPSs contemplated under the Supplemental Deeds at the SCHC EGM which is conditional upon the SCHC Independent Shareholders' approval for the said alterations in the terms of the CPSs.

If any of the above conditions is not satisfied, the Distribution will not be made and the conversion of the Distribution CPSs will not take place. In such case, an announcement will be made.

Should all of the above conditions be satisfied, Crystal Hub will distribute the Distribution CPSs to SCAH for onward distribution to the Qualifying Shareholders and issue a conversion notice, together with an instruction to issue and allot the Relevant Conversion Shares to the Qualifying Shareholders whose names appear on the register of members of SCAH as at the Record Date, to SCHC on behalf of SCAH.

Basis of the Distribution and entitlement of the SCAH Shareholders

As at the date of this announcement, SCAH has 11,178,498,344 SCAH Shares in issue and 251,528,000 outstanding share options with vesting dates falling on 1 October 2016 or thereafter (i.e. the dates after the Record Date). If the Distribution becomes unconditional, it will be satisfied wholly by way of a distribution of the Relevant Conversion Shares, which are issuable upon the conversion of the Distribution CPSs, in specie to the SCAH Shareholders. This will result in the issue and allotment of 4,429,843,560 SCHC Shares (i.e. the Relevant Conversion Shares), which will be distributed in full in proportion to the respective shareholdings of the SCAH Shareholders whose names appear in the register of members of SCAH on the Record Date. Accordingly, the Relevant Conversion Shares shall be distributed on the basis of approximately 0.3963 SCHC Shares for every SCAH Share held by the SCAH Shareholders. Fractional entitlements shall be disregarded.

The Relevant Conversion Shares to be distributed under the Distribution will rank *pari passu* in all respects with each other and with the other SCHC Shares currently or then in issue save for any dividend or distribution declared, paid or made by SCHC with the record date for determining the entitlement thereto falling on a date prior to the date of the said conversion.

Overseas Shareholders

As the issue and allotment of SCHC Shares to Overseas Shareholders under the Distribution may be subject to the laws and/or regulations of the relevant jurisdiction outside Hong Kong, Overseas Shareholders who are citizens, residents or nationals of any jurisdiction outside Hong Kong should keep themselves informed about and observe the applicable legal and/or regulatory requirements and, if in doubt as to any aspect of the Distribution and/or the implications thereof on them, seek advice from the relevant professional adviser(s). It is the responsibilities of the Overseas Shareholders to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with their entitlements to the Distribution (including but not limited to the obtaining of any governmental or other consent which may be required, the compliance with other necessary formalities and/or the payment of any transfer or other taxes due in respect of such jurisdictions). As at the date of this announcement, SCAH has 1, 3, 2, 1 and 3, Overseas Shareholders whose registered addresses are in Canada, the People's Republic of China, Malaysia, United Kingdom and United States of America, respectively.

SCAH will engage foreign legal counsels and make enquiries regarding the legal restrictions under the laws and/or the requirements of the relevant regulatory bodies or stock exchanges applicable to jurisdiction of the registered addresses of the Overseas Shareholders. If having considered the advice provided by foreign legal counsels, the SCAH Directors are of the view that it is necessary or expedient on account of either restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), not to extend the Distribution to such Overseas Shareholder(s), such Overseas Shareholder(s) will become Non-Qualifying Shareholder(s). Accordingly, such Non-Qualifying Shareholder(s) (if any) will not receive any SCHC Shares under the Distribution. Arrangements will be made for the Conversion Shares which would otherwise have been transferred to such Non-Qualifying Shareholder(s), together with the Conversion Shares in respect of the fractional entitlements of the Qualifying Shareholders, to be sold in the market as soon as possible after the Distribution, and the proceeds from the sale thereof, after deduction of expenses and duties, will be distributed in Hong Kong dollar to the relevant Non-Qualifying Shareholder(s) and Qualifying Shareholders in proportion to their respective entitlements provided that the relevant individual SCAH Shareholder's proportionate entitlement thereto exceeds HK\$100. SCAH will retain individual amounts of HK\$100 or less for its own benefit. Payment for the abovementioned proceeds will be made by cheques in Hong Kong dollar sent to the relevant SCAH Shareholders according to their addresses as recorded in the register of members of SCAH as at the Record Date by ordinary post at their own risk.

Record Date and closure of registers of members

The Record Date for the purpose of ascertaining the SCAH Shareholders' entitlements to the Distribution is expected to be on or around 20 September 2016.

The branch registers of SCAH in Hong Kong will be closed from 20 September 2016 to 22 September 2016 (both dates inclusive) for the purpose of ascertaining the SCAH Shareholders' entitlements to the Distribution. No transfer of SCAH Shares will be effected during such period. To be eligible for the Distribution, all transfer forms in respect of SCAH Shares, accompanied with the relevant share certificates, must be lodged with the Registrar, at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 19 September 2016.

Distribution completion and despatch of SCHC Share certificates

The certificates for the Relevant Conversion Shares are expected to be issued and despatched by ordinary post to respective registered address of the Qualifying Shareholders as recorded in the register of members of SCAH on the Record Date, at their own risks, on or about 26 September 2016.

No action is required to be taken by the Qualifying Shareholders to collect the certificates for the Conversion Shares to which they are entitled under the Distribution. The Qualifying Shareholders will either (i) receive the certificates for such Conversion Shares; or (ii) where an investor holding the SCAH Shares through a CCASS Participant or CCASS Investor Participant stock account, receive such Conversion Shares through their respective brokers or custodians who are CCASS clearing or custodian participants or through their CCASS Investor Participant stock account whichever being applicable. The Qualifying Shareholders should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

In the case of a joint holding of SCAH Shares, the certificate(s) for the relevant Conversion Shares will be posted to the address of the person whose name stands first in the register of members of SCAH in respect of the relevant SCAH Shares on the Record Date.

Arrangement for matching service for odd lots

To alleviate the difficulties arising from the existence of odd lots of the Relevant Conversion Shares which may arise from the Distribution, SCAH has appointed an agent to arrange for matching service for the sale and purchase of such odd lots of Relevant Conversion Shares on a best effort basis. As such, the Qualifying Shareholders should note that there is no guarantee for the matching of the sale and purchase of odd lots of Relevant Conversion Shares. Holders of odd lots of such Relevant Conversion Shares who wish to take advantage of this trading facility to dispose of or top up such odd lots may contact Mr. Lee Tak Sing of South China Securities Limited at 28th Floor, Bank of China Tower, No. 1 Garden Road, Central, Hong Kong (telephone number: (852) 3102 1159; fax number: (852) 3101 0236) during office hours during the period from 27 September 2016 to 25 October 2016 (both dates inclusive). Any Qualifying Shareholder who is in doubt about such odd lot arrangement in any aspect should consult his/her/its own professional advisers.

Expected timetable for the Distribution

Set out below is the expected timetable for the Distribution. All the time and dates herein refer to Hong Kong local time and dates. The dates set out in the expected timetable below are indicative only, and may be extended or varied. Should there be any change in the said timetable, SCHC (as far as the despatch of circular and notice of SCHC EGM and the date and/or time of SCHC EGM are concerned) and SCAH will notify the SCHC Shareholders and SCAH Shareholders by way of announcement as and when appropriate.

Event	2016
Declaration of special dividend	29 July
Despatch of circular and notice of SCAH EGM	23 August
Despatch of circular and notice of SCHC EGM	23 August
SCHC EGM	10:00 a.m. on 8 September
SCAH EGM	11:00 a.m. on 8 September
Last day of dealing in SCAH Shares cum-entitlement to the Distribution	14 September
First day of dealing in SCAH Shares ex-entitlement to the Distribution	15 September
Latest time for lodging transfer of SCAH Shares with the Registrar to be entitled to the Distribution	4:00 p.m. on 19 September
Closure of registers of members of SCAH (both dates inclusive)	20 September to 22 September
Record Date for determining the entitlement to the Distribution	20 September

Register of members of SCAH re-opens	23 September
Despatch of Relevant Conversion Share certificates	26 September
Commencement of trading of the Relevant Conversion Shares	27 September

Reasons of the Distribution

As disclosed in the annual report of SCAH for the year ended 31 December 2015 and the quarterly report of the SCAH for the three months ended 31 March 2016, the SCAH Group has adopted the strategy to diversify its businesses in the financial sector and, as far as the property development business is concerned, shift its focus to the small to medium size projects. As such, the demand on financial resources for capital intensive projects was lowered.

The CPSs have served as an alternative financial resource of the SCAH Group. In light of the current business strategy mentioned in the above and, hence, a lower demand for financial resources, the SCAH Directors considered that the Distribution will allow the SCAH Shareholders to share the underlying investment in the Distribution CPSs, i.e. the SCHC Shares issuable upon the conversion of the Distribution CPSs, on a pro-rata basis and to deal with their pro-rata share of the Relevant Conversion Shares at their own discretion.

The Distribution will provide the SCAH Shareholders with an opportunity and the flexibility to participate, as shareholders of SCHC, in the growth and prospects of SCHC directly and determine the level of their participation in investing in SCHC at their own will.

In addition, the results of the SCAH Group will be less vulnerable to the fair value change in the CPSs, which may, to some extent, blur the performance of the operating business units of SCAH Group, as a result of the decrease in CPSs then held thereby after the Distribution.

Given the above, the SCAH Board considered that the Distribution was in the interests of both the SCAH and SCAH Shareholders.

Effect of the Distribution

Upon completion of the Distribution, the SCAH Group will derecognise the Distribution CPSs (i.e. the host equity instrument element and the embedded redemption option in respect of the Distribution CPSs which were recorded as financial assets and financial liabilities, respectively, in the consolidated statement of financial position of SCAH). The Distribution is not expected to have any significant impact on the consolidated income statement of SCAH.

Shareholding structure of SCHC

The following table shows the shareholding structure of the SCHC (i) as at the date of this announcement; and (ii) immediately after completion of the Distribution assuming no change in the shareholding structure of SCHC and the interests of the SCHC Shareholders named in the table below in SCHC from the date of this announcement to completion of the Distribution other than the issue of the Relevant Conversion Shares pursuant to the Distribution:

	As at the date of this Announcement		Upon completion of the Distribution	
	No. of SCHC Shares Held	Approximate shareholding %	No. of SCHC shares held	Approximate shareholding %
Mr. Ng and his associates				
Mr. Ng	371,413,834	6.21	515,420,423	4.95
Ms. Ng Lai King Pamela (Note 1)	107,000,000	1.79	490,571,278	4.71
Ronastar Investments Limited (Note 2)	41,226,676	0.69	71,528,171	0.69
Fung Shing Group Limited (Note 2)	979,732,836	16.39	1,699,833,809	16.33
Parkfield Holdings Limited (Note 2)	931,867,420	15.59	1,616,787,443	15.54
Bannock Investment Limited (Note 3)	587,031,298	9.82	1,018,497,707	9.79
Earntrade Investments Limited (Note 4)	620,038,762	10.37	1,075,765,568	10.34
Mr. Ng Yuk Fung Peter (Note 5)	326,688,000	5.47	522,192,663	5.02
Mr. Ng Yuk Yeung Paul (Note 6)	136,560,000	2.28	137,591,391	1.32
Ms. Ng Yuk Mui Jessica (Note 7)	136,560,000	2.28	136,560,000	1.31
South China Finance And Management Limited (Note 8)	16,000	0.00	20,435	0.00
South China Strategic Limited (Note 9)	—	—	25,799,578	0.25
Crystal Hub	—	—	—	—
Sub-total	<u>4,238,134,826</u>	<u>70.89</u>	<u>7,310,568,466</u>	<u>70.25</u>
Ms. Cheung Choi Ngor (Note 10)	40,000,000	0.67	40,000,000	0.38
Mr. Law Albert Yu Kwan (Note 10)	5,040,000	0.08	10,232,886	0.10
Employees' share award scheme of:				
SCHC	73,200,000	1.22	165,933,281	1.59
SCAH	10,192,000	0.17	77,488,349	0.74
South China Financial Holdings Limited ("SCFH")	40,000,000	0.67	40,000,000	0.38
Public SCHC Shareholders	<u>1,570,706,900</u>	<u>26.30</u>	<u>2,762,894,304</u>	<u>26.56</u>
Total	<u>5,977,273,726</u>	<u>100.00</u>	<u>10,407,117,286</u>	<u>100.00</u>

Notes:

1. the spouse of Mr. Ng
2. a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Ng
3. a company incorporated in the Republic of Liberia with limited liability and the wholly-owned subsidiary of Earntrade Investments Limited
4. a company incorporated in Hong Kong with limited liability and owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges, an executive director of each of SCHC and SCAH, and 20% by Ms. Cheung Choi Ngor, an executive director of each of SCHC and SCAH
5. a son of Mr. Ng and a SCHC Director

6. *a son of Mr. Ng, a SCHC Director and a SCAH Director*
7. *the daughter of Mr. Ng, a SCHC Director and a SCAH Director*
8. *a wholly-owned subsidiary of SCFH which is owned as to approximately 26.94% by Mr. Ng and his controlled corporations and approximately 3.88% by Mr. Ng Yuk Yeung Paul*
9. *a wholly-owned subsidiary of SCHC*
10. *an executive director of each of SCHC and SCAH*

PROPOSED ALTERATIONS IN THE TERMS OF THE CPSs

The terms of the CPSs formed part of the Agreements entered into in prior years in respect of certain connected transactions which had been approved by the then independent shareholders of each of SCHC and SCAH. According to the Agreements, the terms of the Agreements (of which the terms of the CPSs formed part) can be varied in writing by the relevant parties thereto.

As mentioned in the section headed “Conversion of Distribution CPSs” above, the SCHC Board and the SCAH Board proposed to seek the approval of the SCHC Independent Shareholders and SCAH Independent Shareholders, respectively, for the alterations in terms of the CPSs contemplated under the Supplemental Deeds to streamline the administrative work in respect of the Distribution with a view to process the conversion of the Distribution CPSs in an orderly manner.

On 29 July 2016, (i) Crystal Hub and Even Dragon; (ii) Crystal Hub and Perennial Success; and (iii) Crystal Hub, Perennial Success and Profit Runner, respectively, entered into three separate Supplemental Deeds whereby, subject to the conditions set out below, the terms of the CPSs will be amended to allow the issue and allotment of Conversion Shares directly to the person(s) designated by the relevant converting CP Shareholders upon conversion of the CPSs.

Each of the Supplemental Deeds is conditional on fulfillment of all of the following conditions on or before 30 September 2016 or such other date as shall be mutually agreed between parties to the Supplemental Deeds:

- (a) the approval from the Stock Exchange regarding the alterations in the terms of the CPSs contemplated under the Supplemental Deeds under Rule 16.03 of the Listing Rules;
- (b) the SCHC Independent Shareholders’ approval for the alterations in the terms of the CPSs contemplated under the Supplemental Deeds at the SCHC EGM; and
- (c) the SCAH Independent Shareholders’ approval for the alterations in the terms of the CPSs contemplated under the Supplemental Deeds at the SCAH EGM.

Subject to the fulfillment of the above conditions, each of the Supplemental Deeds and, hence, the proposed alterations in the existing terms of the CPSs will become effective on the Record Date.

Given the undue administrative workload or practical problems which will arise from the conversion of the Distribution CPSs under the existing terms of the CPSs as mentioned in the sub-section headed “Conversion of Distribution CPSs”, both the SCHC Directors (excluding the members of the SCHC Independent Board Committee whose opinion will be set forth in the circular of SCHC after having been advised by the independent financial adviser to be

appointed by SCHC) and the SCAH Directors (excluding the members of the SCAH Independent Board Committee whose opinion will be set forth in the circular of SCAH after having been advised by the independent financial adviser to be appointed by SCAH) considered the alterations in terms of the CPSs contemplated under the Supplemental Deeds, which facilitate the orderly handling of conversion of CPSs, are fair and reasonable and in the interests of (i) SCHC and the SCHC Shareholders; and (ii) SCAH and the SCAH Shareholders, respectively, as a whole.

PROPOSED AMENDMENTS TO THE SCHC ARTICLES

As the abovementioned terms of the CPSs also formed part of the SCHC Articles, the SCHC Board also proposed to seek approval of the SCHC Independent Shareholders by way of special resolution for the consequential amendments to the SCHC Articles to reflect the abovementioned alterations in terms of the CPSs and enable SCHC to issue and allot the Conversion Shares issuable upon conversion of the CPSs directly to the person(s) designated by the converting CP Shareholder so that Crystal Hub may serve a conversion notice to instruct SCHC to convert the Distribution CPSs and issue and allot the Relevant Conversion Shares directly to the Qualifying Shareholders. Such proposed amendments to the SCHC Articles (conditional upon the SCHC Independent Shareholders' approval for the alterations in terms of CPSs contemplated under the Supplemental Deeds), if approved by special resolution by the SCHC Independent Shareholders at the SCHC EGM, shall take effect on the Record Date.

As the terms of the CPSs to be altered by the Supplemental Deeds formed part of the SCHC Articles, the amendments to the SCHC Articles to reflect the alterations in terms of the CPSs are merely consequential amendments to align the SCHC Articles with the said terms of the CPSs as altered. As such, the SCHC Directors (excluding the members of the SCHC Independent Board Committee whose opinion will be set forth in the circular of SCHC after having been advised by the independent financial adviser to be appointed by SCHC) considered the amendments to the SCHC Articles are fair and reasonable and in the interests of SCHC and SCHC Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Ng, the common controlling shareholder of SCHC and SCAH, is a connected person of SCHC and SCAH under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively.

As disclosed in the Public Documents, the terms of the CPSs and the issue and allotment of the same formed part of certain connected transactions entered into between Even Dragon, Perennial Success and Profit Runner, all being wholly-owned subsidiaries of SCHC, and Crystal Hub, a wholly-owned subsidiary of SCAH, in prior years, and had been approved by the then independent shareholders of each of SCHC and SCAH at the extraordinary general meetings of respective companies to consider such connected transactions.

The alterations in terms of the CPSs contemplated under the Supplemental Deeds constitute changes in the terms of the Agreements in respect of certain prior year connected transactions. Under Rule 14A.54 of the Listing Rules and Rule 20.52 of the GEM Listing Rules, which applies to continuing connected transactions rather than connected transactions, a listed issuer must re-comply with the announcement and shareholders' approval requirements before it proposes to effect a material change to the terms of agreement in respect of a continuing connected transaction. In addition to the above, the proposed alterations in terms of the CPSs

relate to administrative matters only, and do not affect any key term of the Agreements. Therefore, such alterations were not considered to be material changes to the terms of the Agreements. The issue and allotment of Conversion Shares upon conversion of the CPSs had been approved by the then independent shareholders of each of SCHC and SCAH in prior years and the minimal dilution effect of the Distribution on the collective shareholdings of Mr. Ng and his associates in SCHC is mainly a result of the mitigation from their investment decision to have shareholdings in SCHC and SCAH at similar level which may be available to other SCHC Shareholders, who invested in SCHC in August 2009 or before, to different extents depending on their investment decisions as SCAH was formerly a subsidiary of SCHC which distributed its entire interests in SCAH to the SCHC Shareholders in specie in August 2009. Notwithstanding the above, in view of the dilution effect of the conversion of the Distribution CPSs on the SCHC Shareholders and the comments from the Stock Exchange, SCHC and SCAH opted to re-comply with the disclosure and shareholders' approval requirements under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively, for the alterations in terms of the CPSs contemplated under the Supplemental Deeds on a voluntary basis with a view to protect the SCHC Independent Shareholders and SCAH Independent Shareholders. Accordingly, (i) SCHC will seek SCHC Independent Shareholders' approval for the alterations in terms of CPSs contemplated under the Supplemental Deeds and the consequential amendments to the SCHC Articles; (ii) SCAH will seek SCAH Independent Shareholders' approval for the alterations in terms of CPSs contemplated under the Supplemental Deeds; and (iii) Mr. Ng, the common controlling shareholder of SCHC and SCAH and, hence, a connected person of SCHC and SCAH under Chapter 14A of the Listing Rules and Chapter 20 of the GEM Listing Rules, respectively, and his associates, namely Ms. Ng Yuk Mui Jessica (in respect of SCHC only given nil shareholding interest in SCAH), Mr. Ng Yuk Fung Peter, Mr. Ng Yuk Yeung Paul, Ms. Ng Lai King Pamela, Ronastar Investments Limited, Fung Shing Group Limited, Parkfield Holdings Limited, Bannock Investment Limited, Earntrade Investments Limited, South China Finance And Management Limited and South China Strategic Limited (in respect of SCAH only given nil shareholding interest in SCHC) (refer to the sub-section headed "Shareholding Structure of SCHC" for details) will abstain from voting in the resolutions approving (a) the alterations in terms of the CPSs contemplated under the Supplemental Deeds at both the SCHC EGM and SCAH EGM; and (b) the consequential amendments to the SCHC Articles at the SCHC EGM.

Mr. Ng, the common controlling shareholder of SCHC and SCAH, and his associates, namely Ms. Ng Yuk Mui Jessica, Mr. Ng Yuk Fung Peter and Mr. Ng Yuk Yeung Paul (all being common directors of SCHC and SCAH except for Mr. Ng Yuk Fung Peter), and the other common directors of SCHC and SCAH, namely Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Law Albert Yu Kwan and Dr. Leung Tony Ka Tung have abstained from voting on the board resolutions of SCHC approving (i) the alterations in terms of CPSs contemplated under the Supplemental Deeds; and (ii) the amendments to the SCHC Articles.

Mr. Ng, the common controlling shareholder of SCHC and SCAH, and his associates, namely Ms. Ng Yuk Mui Jessica and Mr. Ng Yuk Yeung Paul (all being common directors of SCHC and SCAH), and the other common directors of SCHC and SCAH, namely Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Law Albert Yu Kwan and Dr. Leung Tony Ka Tung have abstained from voting on the board resolutions of SCAH approving the alterations in terms of CPSs contemplated under the Supplemental Deeds.

Under the Agreements, the terms of the CPSs, which formed part of such Agreements, can be varied in writing by the parties thereto. As such, the abovementioned alterations in terms of the CPSs do not take effect automatically under the existing terms of the CPSs, and, therefore, is subject to the approval of the Stock Exchange under Rule 16.03 of the Listing Rules. As such, SCHC will seek approval of the Stock Exchange for the alterations in terms of the CPSs under Rule 16.03 of the Listing Rules.

The SCHC EGM will be held to seek the SCHC Independent Shareholders' approval for (i) the alterations in the terms of the CPSs contemplated under the Supplemental Deeds by way of ordinary resolution; and (ii) the consequential amendments to the SCHC Articles by way of special resolution.

The SCAH EGM will be held to seek (i) the SCAH Shareholders' approval for the proposed Distribution by way of ordinary resolution; and (ii) the SCAH Independent Shareholders' approval for the alterations in terms of the CPSs contemplated under the Supplemental Deeds by way of ordinary resolution.

SCHC has established the SCHC Independent Board Committee to advise the SCHC Independent Shareholders as to whether (i) the alterations in terms of the CPSs contemplated under the Supplemental Deeds; and (ii) the amendments to the SCHC Articles are fair and reasonable and in the interests of SCHC and the SCHC Shareholders as a whole. SCHC will appoint an independent financial adviser to advise the SCHC Independent Board Committee and the SCHC Independent Shareholders in connection with (i) the alterations in terms of the CPSs contemplated under the Supplemental Deeds; and (ii) the amendments to the SCHC Articles.

SCAH has established the SCAH Independent Board Committee to advise the SCAH Independent Shareholders as to whether the alterations in terms of the CPSs contemplated under the Supplemental Deeds are fair and reasonable and in the interests of SCAH and the SCAH Shareholders as a whole. SCAH will appoint an independent financial adviser to advise the SCAH Independent Board Committee and the SCAH Independent Shareholders in connection with the alterations in terms of the CPSs contemplated under the Supplemental Deeds.

INFORMATION ON SCAH

SCAH is an investment holding company incorporated in the Cayman Islands with the SCAH Shares listed on the GEM board of the Stock Exchange. Its subsidiaries are principally engaged in property investment and development businesses in the People's Republic of China, money lending and provision of investment advisory and asset management services.

INFORMATION ON SCHC

SCHC is an investment holding company incorporated in the Cayman Islands with the SCHC Shares listed on Main Board of the Stock Exchange. Its subsidiaries are principally engaged in trading and manufacturing of toys, shoes, electronic toys and leather products, property investment and development, and agriculture and forestry.

GENERAL

A circular of SCHC containing, among others, details of the Supplemental Deeds and the amendments to the SCHC Articles, a letter from the SCHC Independent Board Committee to the SCHC Independent Shareholders containing the recommendation of the SCHC

Independent Board Committee and a letter of advice from the independent financial adviser to the SCHC Independent Board Committee and the SCHC Independent Shareholders together with the notice of the SCHC EGM will be despatched to the SCHC Shareholders as soon as practicable.

A circular of SCAH containing, among others, details of the proposed Distribution and the Supplemental Deeds, a letter from the SCAH Independent Board Committee to the SCAH Independent Shareholders containing the recommendation of the SCAH Independent Board Committee and a letter of advice from the independent financial adviser to the SCAH Independent Board Committee and the SCAH Independent Shareholders together with the notice of the SCAH EGM will be despatched to the SCAH Shareholders as soon as practicable.

The Distribution is subject to, among others, the SCAH Shareholders' approval at the SCAH EGM, and, hence, may or may not be made by SCAH. Accordingly, the SCAH Shareholders and potential investors should be aware that there is no assurance that the proposed Distribution will take place and, if it will, when it may take place. The SCAH Shareholders, the SCHC Shareholders and potential investors should, therefore, exercise caution when dealing in the securities of SCAH and SCHC.

DEFINITIONS

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

- | | |
|---------------|---|
| “2013 CPS(s)” | the redeemable convertible preference share(s) issued by SCHC at the issue price of HK\$0.57 per redeemable convertible preference share on 16 January 2013 |
| “2014 CPS(s)” | the redeemable convertible preference share(s) issued by SCHC at the issue price of HK\$0.68 per redeemable convertible preference share on 11 April 2014 |
| “2015 CPS(s)” | the redeemable convertible preference share(s) issued by SCHC at the issue price of HK\$0.80 per redeemable convertible preference share on 7 October 2015 |

“Agreements”	collectively, (i) the agreement dated 4 July 2012 entered into between Even Dragon and Crystal Hub in respect of, among others, the sale and purchase of the entire interest in Splendor Sheen Limited, the then wholly-owned subsidiary of SCAH as disclosed in the joint announcement and circulars of SCHC and SCAH dated 12 July 2012 and 19 October 2012, respectively; (ii) the agreement dated 17 February 2014 entered into between Perennial Success and Crystal Hub in respect of, among others, the sale and purchase of 40% of the issued share capital of Elite Empire Investments Limited, the then wholly-owned subsidiary of SCAH as disclosed in the joint announcement and circulars of SCHC and SCAH dated 18 February 2014 and 19 March 2014, respectively; and (iii) the agreement dated 16 June 2015 entered into between Perennial Success, Profit Runner and Crystal Hub in respect of, among others, the sale and purchase of the entire issued share capital of Elite Empire Investments Limited and Bigwin Investments Limited, the then subsidiaries of SCAH, as amended and supplemented by the supplemental agreement dated 31 August 2015 and the assignment of the debts owed by Elite Empire Investments Limited and Bigwin Investments Limited dated 16 June 2015 as disclosed in the joint announcement and circulars of SCHC and SCAH dated 16 June 2015 and 4 September 2015, respectively
“associate(s)”	has the meaning ascribed thereto under the Listing Rules or the GEM Listing Rules, whichever being applicable
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant(s)”	any person admitted to participate in CCASS as a direct clearing participant, a general clearing participant, a custodian participant, or any CCASS Investor Participant
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules or GEM Listing Rules, whichever being applicable
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules or GEM Listing Rules, whichever being applicable
“Conversion Share(s)”	the new SCHC Share(s) which will be issued and allotted upon the exercise by any CP Shareholder of the conversion rights attached to the CPS(s) which such CP Shareholder seeks to convert
“CP Shareholder(s)”	holder(s) of the CPS(s)
“CPS(s)”	collectively, 2013 CPSs, 2014 CPSs and 2015 CPSs
“Crystal Hub”	Crystal Hub Limited, a wholly-owned subsidiary of SCAH and the existing holder of the CPSs

“Distribution”	the distribution of special dividend by SCAH to the SCAH Shareholders by distribution of the Relevant Conversion Shares in specie in proportion to their respective shareholdings in SCAH as recorded in the register of member of SCAH as at the Record Date
“Distribution CPSs”	the 2,235,406,996 CPSs to be converted into 4,429,843,560 SCHC Shares for purpose of the Distribution, subject to the approval of the SCAH Shareholders at the SCAH EGM
“Even Dragon”	Even Dragon Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of SCHC
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Hung Sang, the chairman and controlling shareholder of each of SCHC and SCAH, a SCHC Director and a SCAH Director
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) (if any) whom the SCAH Directors, after making relevant enquiries, consider necessary or expedient to be excluded from the Distribution on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	the SCAH Shareholder(s) whose address(es) as recorded in the register of members of SCAH as at the close of business on the Record Date is/are outside Hong Kong
“Perennial Success”	Perennial Success Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of SCAH
“Profit Runner”	Profit Runner Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of SCHC

“Published Documents”	collectively, the (i) joint announcement dated 12 July 2012 issued by SCHC and SCAH; (ii) circular of SCHC dated 19 October 2012; (iii) circular of SCAH dated 19 October 2012; (iv) joint announcement dated 17 January 2013 issued by SCHC and SCAH; (v) joint announcement dated 18 February 2014 issued by SCHC and SCAH; (vi) circular of SCHC dated 19 March 2014; (vii) circular of SCAH dated 19 March 2014; (viii) joint announcement dated 17 April 2014 issued by SCHC and SCAH; (ix) joint announcement dated 16 June 2015 issued by SCHC and SCAH; (x) circular of SCHC dated 4 September 2015; (xi) circular of SCAH dated 4 September 2015; and (xii) joint announcement dated 7 October 2015 issued by SCHC and SCAH in relation to, among others, the issuance of the CPSs to Crystal Hub
“Qualifying Shareholder(s)”	the SCAH Shareholder(s), whose name(s) appear(s) on the registers of members of SCAH as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	20 September 2016
“Registrar”	Union Registrars Limited, the branch share registrar of SCAH in Hong Kong, at Suites 3301–4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Conversion Shares”	the 4,429,843,560 Conversion Shares issuable upon the conversion of the Distribution CPSs, representing approximately 74.11% of the total number of issued SCHC Shares as at the date of this announcement
“SCAH”	South China Assets Holdings Limited (formerly known as South China Land Limited), an exempted company incorporated in the Cayman Islands with limited liability and the SCAH Shares listed on the GEM board of the Stock Exchange (stock code: 08155)
“SCAH Board”	the board of SCAH Directors
“SCAH Directors”	the directors of SCAH
“SCAH EGM”	the extraordinary general meeting of SCAH to be held to approve, among others, the Distribution and the signing of the Supplemental Deeds
“SCAH Group”	SCAH and its subsidiaries
“SCAH Independent Board Committee”	the independent board committee comprising Ms. Chan Mei Bo Mabel and Ms. Pong Scarlett Oi Lan, <i>BBS, J.P.</i> , being all the independent non-executive SCAH Directors who are not common directors of SCHC and SCAH, established in connection with the proposed alterations in terms of the CPSs contemplated under the Supplemental Deeds

“SCAH Independent Shareholders”	SCAH Shareholders who are not required to abstain from voting at the SCAH EGM
“SCAH Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of SCAH
“SCAH Shareholder(s)”	holder(s) of SCAH Share(s)
“SCHC”	South China Holdings Company Limited (formerly known as South China (China) Limited), an exempted company incorporated in the Cayman Islands with limited liability and the SCHC Shares listed on the Main Board of the Stock Exchange (stock code: 00413)
“SCHC Articles”	the articles of association of SCHC
“SCHC Board”	the board of SCHC Directors
“SCHC Directors”	the directors of SCHC
“SCHC EGM”	the extraordinary general meeting of SCHC to be held to consider the proposed alterations in terms of the CPSs contemplated under the Supplemental Deeds and the proposed amendments to the SCHC Articles
“SCHC Group”	SCHC and its subsidiaries
“SCHC Independent Board Committee”	the independent board committee comprising all the independent non-executive SCHC Directors, except Dr. Leung Tony Ka Tung (a common director of SCHC and SCAH), established in connection with the proposed alterations in terms of the CPSs contemplated under the Supplemental Deeds and the proposed amendments to the SCHC Articles
“SCHC Independent Shareholders”	SCHC Shareholders who are not required to abstain from voting at the SCHC EGM
“SCHC Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of SCHC
“SCHC Shareholder(s)”	holder(s) of SCHC Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplemental Deeds” the three supplemental deeds entered into by (i) Crystal Hub and Even Dragon; (ii) Crystal Hub and Perennial Success; and (iii) Crystal Hub, Perennial Success and Profit Runner, respectively, dated 29 July 2016 for the alterations in terms of the CPSs

“Takeovers Code” the Hong Kong Code on Takeovers and Mergers

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

By order of the SCAH Board
South China Assets Holdings Limited
南華資產控股有限公司
Cheung Choi Ngor
Executive Director

Hong Kong, 29 July 2016

As at the date of this announcement, the SCHC Directors are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung Peter, Mr. Ng Yuk Yeung Paul and Mr. Law Albert Yu Kwan as executive directors; (2) Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive directors; and (3) Mr. Chiu Sin Chun, Dr. Leung Tony Ka Tung, Ms. Li Yuen Yu Alice, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. as independent non-executive directors.

As at the date of this announcement, the SCAH Directors are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Ms. Ng Yuk Mui Jessica and Mr. Law Albert Yu Kwan as executive directors; (2) Mr. Ng Yuk Yeung Paul as non-executive director; and (3) Ms. Chan Mei Bo Mabel, Dr. Leung Tony Ka Tung and Ms. Pong Scarlett Oi Lan, BBS, J.P. as independent non-executive directors.

This announcement, for which the SCAH 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 SCAH. The SCAH Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement (other than that relating to SCHC Group) 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and on the website of SCAH at www.scassets.com.