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SOUTH CHINA FINANCIAL HOLDINGS LIMITED
南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

PROPOSED BONUS WARRANTS ISSUE

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The Board proposes the Bonus Warrants Issue on the basis of one Bonus Warrant for every 5 existing Shares held on the Record Date.

The commencement of dealings for the Bonus Warrants on the Stock Exchange is expected to be on 5 November 2007.

PROPOSED BONUS WARRANTS ISSUE

To enhance the return on investment for the Shareholders as well as the equity base of the Company, and to improve the liquidity position of the Shares in the market, the Board has proposed an issue of Bonus Warrants, the terms of which are summarized below:

Basis of issue of Bonus Warrants

Bonus Warrants will be issued on the basis of one Bonus Warrant for every five existing Shares held by the Shareholders whose names appear on the register of members of the Company as at the Record Date, but excluding Overseas Shareholders whose addresses on the register of members of the Company are outside Hong Kong as at the Record Date.

Subscription Price

The Bonus Warrants will entitle holders to subscribe for Shares at an initial subscription price of HK\$0.168 per Share (subject to adjustments) in cash. The initial subscription price represents a premium of 1.2% over the closing price of HK\$0.166 per Share as quoted on the Stock Exchange on 4 September 2007 or a premium of 4.74% over the average closing price of HK\$0.1604 per Share as quoted on the Stock Exchange for the five trading days prior to the date of this announcement.

Subscription Period

The Bonus Warrants will be exercisable at any time between dealings in the Bonus Warrants on the Stock Exchange commence, which is expected to be on 5 November 2007 and expire one calendar year thereafter, which is expected to be on 4 November 2008 (if that day is not a Business Day, the Business Day immediately preceding such day), both days inclusive.

Number of Bonus Warrants to be issued

Based on 5,010,890,940 Shares in issue as at the date of this announcement and assuming that (i) no further Shares will be repurchased prior to the Record Date, (ii) no further Shares will be issued, a total of 1,002,178,188 Bonus Warrants will be issued, entitling the holders thereof to subscribe for 1,002,178,188 Shares at an initial subscription price of HK\$0.168 per Share, for an aggregate amount of HK\$168,365,935.58. Full exercise of the Bonus Warrants represents 20% and 16.67% of the issued share capital of the Company and enlarged issued share capital of the Company respectively.

Condition

The Bonus Warrants Issue is conditional upon the approval of the Shareholders of the Bonus Warrants Issue at the EGM and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Bonus Warrants and any new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants.

Expected Timetable

Expected day for the despatch of the circular Tuesday, 25 September 2007

Latest time for dealing in Shares cum entitlements
to the Bonus Warrants Issue 4:00 p.m. Wednesday,
17 October 2007

Dealings in Shares ex entitlements to the
Bonus Warrants Issue expected to commence on Thursday, 18 October 2007

Latest time for lodging share transfers to qualify for the
Bonus Warrants Issue 4:00 p.m. Monday,
22 October 2007

Register of members closes (both days inclusive) Tuesday, 23 October 2007 to
Thursday, 25 October 2007

EGM expected to be convened on Thursday, 25 October 2007

Record date for determination of entitlements to the
Bonus Warrants Issue Thursday, 25 October 2007

Despatch of Bonus Warrant certificates Thursday, 1 November 2007

Dealings in Bonus Warrants expected to commence on..... Monday, 5 November 2007

Board Lot

The board lot for trading in the Bonus Warrants is 100,000 units.

Application for Listing

An application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Bonus Warrants and any new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants. It is not proposed to list the Bonus Warrants on any other stock exchange other than the Stock Exchange.

Subject to the granting of the listing of, and permission to deal in, the Bonus Warrants and the new Shares on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Bonus Warrants and the new Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Bonus Warrants on the Stock Exchange or such other date as determined by HKSCC.

Reasons for the Proposed Bonus Warrants Issue

The Directors believe that the proposed issue of Bonus Warrants will enhance the return on investment for the Shareholders as well as the equity base of the Company, and improve the liquidity position of the Shares in the market.

The issue of Bonus Warrants provides an opportunity for the Group to raise funds to strengthen its financial position and capability to develop and expand its business. The proceeds, if all of the Bonus Warrants proposed to be issued are exercised in full, will be approximately HK\$168 million, before expenses, which will enhance the working capital and net asset position of the Company. The Directors believe that the proposed issue of the Bonus Warrants is beneficial to the Company and the Shareholders as a whole.

Record Date and Closure of Register

The Record Date for ascertaining the entitlement to the Bonus Warrants shall be Thursday, 25 October 2007. The register of members of the Company will be closed from Tuesday, 23 October 2007 to Thursday, 25 October 2007 (both days inclusive).

Shareholders are reminded that in order to qualify for the Bonus Warrants, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company's registrar in Hong Kong, Union Registrars Limited at Room 1803, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Monday, 22 October 2007.

Overseas Shareholders

The documents to be issued in relation to the Bonus Warrants will not be registered under any securities legislation outside Hong Kong. Overseas Shareholders may not be entitled to the proposed Bonus Warrants, whatsoever, and the Bonus Warrants may not be issued to the Overseas Shareholders, if the offering would or might, in the absence of compliance with relevant registration or other special formalities in other territories, be unlawful or impracticable. The Company will make appropriate enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules to determine whether the Overseas Shareholders should be entitled to the Bonus Warrants Issue.

Bonus Warrants which would otherwise have been issued to the Overseas Shareholders will be sold in the market as soon as practicable after dealings in the Bonus Warrants commence if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Overseas Shareholders at their own risk pro rata to their respective entitlements except that any amount of less than HK\$100 will be retained for the benefit of the Company.

Fractional Entitlements

Fractional entitlements to the Bonus Warrants will not be issued to the Shareholders but will be aggregated and sold for the benefit of the Company. The net proceeds of sale will be retained for the benefit of the Company.

Status of Shares to be issued upon exercise of the Bonus Warrants

Shares which are allotted and issued on the exercise of the subscription rights attaching to the Bonus Warrants will rank pari passu in all respects with the then Shares in issue.

Certificates for the Bonus Warrants

It is expected that certificates for Bonus Warrants will be posted on or before 1 November 2007 at the risk of the persons entitled thereto to their respective addresses shown on the register of members of the Company as at the Record Date.

Outstanding convertible securities

Except for the share options granted to the eligible participants under the share option scheme of the Company, there are no any other outstanding convertible securities, warrants, derivatives, or any other securities carrying conversion rights or subscription rights to the Shares as at the date of this announcement.

GENERAL

A circular of the Company containing details of the proposed Bonus Warrants Issue together with a notice convening the EGM will be sent to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite them below:

“Board”	the board of Directors;
“Bonus Warrant(s)”	the warrant(s) to be issued by the Company, in registered form, in units of subscription rights entitling the holder(s) thereof to subscribe for up to a maximum aggregate amount of HK\$168,365,935.58 for new Shares at an initial subscription price of HK\$0.168 per Share;
“Bonus Warrants Issue”	the issue of 1 Bonus Warrant for every 5 existing Shares;
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which banks are generally open for banking business in Hong Kong;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Bonus Warrants Issue;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas Shareholders”	the Shareholders whose addresses as shown in the register of members of the Company at the close of business on the Record Date are outside Hong Kong;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
“Record Date”	25 October 2007, being the record date by reference to which entitlements to the Bonus Warrants are determined;
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company;
“Shareholders”	holders of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

On behalf of the Board
Cheung Choi Ngor
Director

Hong Kong, 4 September 2007

As at the date of this announcement, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Chun Sang and Mr. Ng Yuk Yeung, Paul as executive directors; and (2) Mrs. Tse Wong Siu Yin, Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric as independent non-executive directors.