
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South China Financial Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

A notice convening an extraordinary general meeting of South China Financial Holdings Limited to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 12 October 2007 at 9:15 a.m. is set out on pages 20 to 21 of this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and requested to complete and return the enclosed proxy form, in accordance with the instructions printed thereon, to the share registrar of South China Financial Holdings Limited, Union Registrars Limited as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. The address of Union Registrars Limited is currently located at Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and will, as from 1 October 2007, be changed to Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude you from attending, and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

25 September 2007

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DEFINITIONS

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

“Board”	the board of the 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\$168,617,935.584 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 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, 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 at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 12 October 2007 at 9:15 a.m. 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;
“Latest Practicable Date”	20 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Overseas Shareholder(s)”	the Shareholder(s) 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;

DEFINITIONS

“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan;
“Record Date”	12 October 2007, being the record date by reference to which entitlements to the Bonus Warrants are determined;
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong);
“Shareholder(s)”	holder(s) of the Shares;
“Share(s)”	ordinary shares of HK\$0.025 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.



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)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges (*Vice-chairman*)
Ms. Cheung Choi Ngor (*Vice-chairman*)
Mr. Ng Chun Sang
Mr. Ng Yuk Yeung, Paul

Registered Office:

28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

Independent Non-executive Directors:

Mrs. Tse Wong Siu Yin, Elizabeth
Hon. Raymond Arthur William Sears, Q.C.
Mr. Tung Woon Cheung, Eric

25 September 2007

*To the Shareholders and, for information only,
holders of options of the Company*

Dear Sir or Madam,

PROPOSED BONUS WARRANTS ISSUE

A. INTRODUCTION

On 4 September 2007, the Company announced that the Board proposes the Bonus Warrants Issue for the Shareholders as at the close of business on the Record Date on the basis of one Bonus Warrant for every 5 Shares held on the Record Date. On 12 September 2007, the Company further announced that the board lot size for trading in the Bonus Warrants be changed from 100,000 units to 50,000 units. On 19 September 2007, the Company also announced that the expected timetable in relation to the issue of the proposed Bonus Warrants be revised.

The purpose of this circular is to provide you with information in relation to the resolution to be proposed at the EGM relating to the Bonus Warrants Issue.

B. PROPOSED BONUS WARRANTS ISSUE

To enhance the return on investment for 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:

LETTER FROM THE BOARD

Basis of issue of Bonus Warrants

Bonus Warrants will be issued on the basis of one Bonus Warrant for every five Shares held by the Shareholders whose names appear on the register of members of the Company 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 (i) 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; (ii) 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 4 September 2007; and (iii) a discount of 23.64% to the closing price of HK\$0.22 per Shares as quoted on the Stock Exchange at the Latest Practicable Date.

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 23 October 2007 and expire one calendar year thereafter, which is expected to be on 22 October 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 5,018,390,940 Shares in issue as at the Latest Practicable Date and assuming that (i) no further Shares will be repurchased prior to the Record Date and (ii) no further Shares will be issued prior to the Record Date, a total of 1,003,678,188 Bonus Warrants will be issued, entitling the holders thereof to subscribe for 1,003,678,188 Shares at an initial subscription price of HK\$0.168 per Share, for an aggregate amount of HK\$168,617,935.584. 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 approvals 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.

LETTER FROM THE BOARD

Expected Timetable

- Latest time for dealing in Shares cum entitlements
to the Bonus Warrants Issue. 4:00 p.m. Friday, 5 October 2007
- Dealings in Shares ex entitlements to
the Bonus Warrants Issue
expected to commence on Monday, 8 October 2007
- Latest time for lodging share transfers
to qualify for the Bonus Warrants Issue. 4:00 p.m. Tuesday,
9 October 2007
- Register of members closes Wednesday, 10 October 2007 to
Friday, 12 October 2007
(both days inclusive)
- EGM expected to be convened on Friday, 12 October 2007
- Record date for determination of
entitlements to the Bonus Warrants Issue. Friday, 12 October 2007
- Despatch of Bonus Warrant certificates. Thursday, 18 October 2007
- Dealings in Bonus Warrants expected to
commence on. Tuesday, 23 October 2007

Board Lot

The board lot for trading in the Bonus Warrants is 50,000 units.

Application for Listing

An application has been 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 which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants on the Stock Exchange as well as compliance with the stock admission requirement of HKSCC, the Bonus Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Bonus Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of

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dealings in the Bonus Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Stamp duty in Hong Kong will be payable in respect of dealings in the Bonus Warrants and the Shares which may fall to be issued upon exercise of the subscription rights attaching to the Bonus Warrants.

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\$169 million, before expenses, which will enhance the working capital and net asset position of the Company. The Directors believe that the proposed issue of 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 Friday, 12 October 2007. The register of members of the Company will be closed from Wednesday, 10 October 2007 to Friday, 12 October 2007 (both days inclusive).

The 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 share registrar, Union Registrars Limited for registration no later than 4:00 p.m. on Tuesday, 9 October 2007. The address of Union Registrars Limited is currently located at Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and will, as from 1 October 2007, be changed to Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

Overseas Shareholders

As at the Latest Practicable Date and based on the information obtained from the Company's share registrar, Union Registrars Limited, none of the Shareholders as recorded on the register of members of the Company had address which is outside Hong Kong.

LETTER FROM THE BOARD

If as at the close of business on the Record Date, a Shareholder's address as recorded on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to participate in the Bonus Warrants Issue. If necessary, the Board will, pursuant to Rule 13.36(2)(a) of the Listing Rules, make enquiries as to whether the Bonus Warrants Issue to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer to such Overseas Shareholders, no issue of the Bonus Warrants will be made to such Overseas Shareholders. Such Overseas Shareholders receiving a copy of the circular relating to the Bonus Warrants Issue outside Hong Kong may not treat the same as an invitation to participate in the Bonus Warrants Issue unless such invitation could lawfully be made to such Overseas Shareholders without having to comply with any registration or other legal requirements in the relevant territory. In the circumstance, such Overseas Shareholders will not be permitted to participate in 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 Bonus Warrants

The 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 18 October 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 Latest Practicable Date.

LETTER FROM THE BOARD

C. EGM

The notice convening the EGM is set out on pages 20 to 21 of this circular. Resolution in respect of the Bonus Warrants Issue will be proposed at the EGM.

A form of proxy for the use at the EGM is enclosed with this circular. If you are not able to attend the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Union Registrars Limited as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or adjourned meeting (as the case may be). The address of Union Registrars Limited is currently located at Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and will, as from 1 October 2007, be changed to Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so desire.

D. RIGHT TO DEMAND A POLL

Pursuant to the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of poll is required by the Listing Rules or a poll is (before or on the declaration of the result of the show of hands) demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) any member or members present in person or by proxy and representing not less than one tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right; or
- (e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting.

LETTER FROM THE BOARD

E. RECOMMENDATION

The Directors consider that the Bonus Warrants Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

F. GENERAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Cheung Choi Ngor
Director

The Bonus Warrants will be issued subject to and with the benefit of the instrument (the “Instrument”), which will be executed by the Company by way of deed poll. The Bonus Warrants will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The principal terms and conditions of the Bonus Warrants will be set out in the certificates for the Bonus Warrants (the “Warrant Certificates”). The holders of Bonus Warrants (the “Warrantholder(s)”) will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available from the registered office in Hong Kong for the time being of the Company. The following is a summary of the principal provisions of the Instrument.

1. SUBSCRIPTION RIGHTS

- (a) Each Warrantholder will have, in respect of the Bonus Warrants of which he is the registered holder for the time being, rights (the “Subscription Rights”) which may be exercised in whole or in part at any time on or after the date of dealing in the Bonus Warrants on the Stock Exchange commence on 23 October 2007 but not later than 4:00 p.m. (Hong Kong time) on 22 October 2008 (the “Subscription Period”) (the date on which any of the Subscription Rights are duly exercised is called a “Subscription Date”), to subscribe in Hong Kong dollars the amount stated on the certificate for such Bonus Warrants as the amount in cash which such Warrantholder is entitled to subscribe for Shares upon exercise of the Subscription Rights represented thereby (the “Exercise Moneys”), for fully-paid Shares at a price of HK\$0.168 per Share (subject to adjustment as referred to below) (the “Subscription Price”). After the expiry of the Subscription Period, any Subscription Rights which have not been exercised will lapse and the Bonus Warrants will cease to be valid for any purpose whatsoever.
- (b) The entitlement of the Warrantholders to their Bonus Warrants will be evidenced by the Warrant Certificates, each of which will contain a subscription form. In order to exercise in whole or in part his Subscription Rights, the Warrantholder must complete and sign the subscription form (which shall be irrevocable) and deliver the Warrant Certificate and, if the subscription form used is not the form endorsed on the Warrant Certificate, the separate subscription form which the Company permits to be used, to the registrars for the time being of the Company, together with a remittance for the relevant portion of the Exercise Moneys, being the amount of the Subscription Price for the Shares in respect of which the Warrantholder is exercising his Subscription Rights. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (c) No fraction of a Share will be allotted but in the event that a Warrantholder remits subscription moneys in excess of the Subscription Price due for the Shares in respect of which he is exercising his Subscription Rights represented by one or more Warrant Certificates exercised on the same Subscription Date by the same Warrantholder then the Subscription Rights represented by such Warrant Certificates will be aggregated.

- (d) The Company will undertake in the Instrument that any Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued within ten business days (as defined in the Instrument) after the relevant Subscription Date and, taking account of any adjustment that may have been made as mentioned below, the Shares so allotted will rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and will accordingly entitle the holders to participate in all dividends or other distributions paid or made on the Shares on or after the relevant Subscription Date unless an adjustment to the Subscription Rights and/or the Subscription Price therefor has been made in accordance with the terms of the Instrument and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant Subscription Date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as practicable after the relevant allotment and issue of the Shares (and in any event not later than 10 business days (as defined in the Instrument) after the relevant Subscription Date other than in circumstances as envisaged in paragraph 16(b) below) there will be issued free of charge to the Warrantholder to whom such allotment has been made upon his exercise of any Subscription Rights:
- (i) the certificate(s) for the relevant Shares in the name(s) of such Warrantholder(s);
 - (ii) (if applicable) a balancing Warrant Certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the relevant Warrant Certificate and remaining unexercised;
 - (iii) (if applicable) a cheque representing the excess (if any) of the amount (or aggregate amount) remitted over the total amount payable in respect of the Subscription Rights being exercised as mentioned in sub-paragraph (c) above; and
 - (iv) (if applicable) the certificate mentioned in Clause 6.1(c) of the Instrument.

The certificate(s) for the Shares arising on the exercise of Subscription Rights, the balancing Warrant Certificate(s) (if any) and the cheque in respect of a refund (if any), the certificate mentioned in Clause 6.1(c) of the Instrument (if any) will be sent by post at the risk of the said Warrantholder(s) to the address of such Warrantholder(s) (or, in the case of a joint holding, to that one of the joint Warrantholders whose name stands first in the register of Warrantholders).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument will contain detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

- (a) The Subscription Price shall (except as mentioned in the proviso to (v) below and in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until the Subscription Rights Reserve (as defined in the Instrument) is maintained):
 - (i) an alteration of the nominal amount of each Share by reason of any consolidation or subdivision;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares in their capacity as such;
 - (iv) a grant by the Company to holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);
 - (v) an offer or grant being made by the Company to holders of its Shares of Shares by way of rights, or of options or warrants to subscribe new Shares, at a price which is less than 90% of the market price (calculation as provided in the Instrument) provided that no such adjustment is to be made if the Company also makes a like offer or grant (as the case may be) at the same time to each Warrantholder (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange) as if he had exercised the Subscription Rights represented by his Warrant Certificate in full on the day immediately preceding the record date for such offer or grant;
 - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for Shares, if in any case the Total Effective Consideration (as defined in the Instrument) per Share is less than 90% of the market price (calculated as provided in the Instrument), or the terms of any such issue are altered so that the said Total Effective Consideration is less than 90% of such market price;

- (vii) an issue being made wholly for cash of Shares (other than pursuant to a Share Option Scheme (as defined in the Instrument)) at a price less than 90% (calculated as provided in the Instrument); and
 - (viii) the purchase by the Company of Shares (excluding any such purchase made on the Stock Exchange or any other stock exchange recognised for this purpose by the SFC (as defined in the Instrument) or equivalent authority and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above shall be made in respect of:–
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities wholly or partly convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue by the Company of Shares or by the Company or any Subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iii) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares;
 - (iv) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of such Shares is not more than 110 percent of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash; or
 - (v) an issue of Shares or other securities of the Company or any Subsidiary of securities wholly or partly convertible into or exchangeable for or carrying rights of subscription for Shares pursuant to a Share Option Scheme (as defined in the Instrument).

- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint an approved merchant bank (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would not or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank considers this to be the case, the adjustment shall be modified or nullified, or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as is certified by such approved merchant bank to be in its opinion appropriate (including retrospectively).
- (d) Any adjustment to the Subscription Price will be made to the nearest 0.1 cent (HK\$0.0005 being rounded up). No adjustment shall be made to the Subscription Price in any case in which the amount by which it would be reduced would be less than 0.1 cent and any adjustment which would otherwise then be required will not be carried forward. An adjustment which would increase the Subscription Price (except on a consolidation of Shares or upon a purchase of Shares) may not be made.
- (e) Every adjustment to the Subscription Price will be certified to be fair and appropriate by the Auditors (as defined in the Instrument) or an approved merchant bank and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantheolders. Any such certificate of the Auditors and/or the approved merchant bank will be available for inspection by the Warrantheolders at the registered office of the Company in Hong Kong, where copies may be obtained.

3. REGISTERED WARRANTS

The Bonus Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder of any Bonus Warrant as the absolute owner thereof and accordingly will not, except as ordered by a court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Bonus Warrant on the part of any other person, whether or not it has express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Subscription Rights represented by the relevant Warrant Certificate will be transferable in whole amounts or integral multiples of the Subscription Price for the time being in force by instrument of transfer in any usual or common form or such other form as may be approved by the Directors and the Company will maintain a register of Warrantheolders therefor. The Instrument will contain provisions relating to the transfer, transmission and registration of the Bonus Warrant.

Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Board for this purpose), the transfer may be executed on behalf of HKSCC Nominees Limited by machine imprinted signatures or under hands of authorised person(s).

Since the Bonus Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Bonus Warrants to be a date at least three trading days before 22 October 2008.

Note: Persons who hold the Bonus Warrants and have not registered the Bonus Warrants in their own names and wish to exercise the Bonus Warrants should note that they may incur additional costs and expenses in connection with any expedited reregistration of the Bonus Warrants prior to the transfer or exercise of the Bonus Warrants, in particular during the period commencing ten Business Days (as defined in the Instrument), prior to and including the last day of the Subscription Period, being 22 October 2008 (or such earlier date as provided in the Instrument).

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers may be suspended and the register of the Warrantholders may be closed for such period as the Directors may from time to time direct, provided that the same may not be closed for a period, or for periods together, of more than 30 days in any one year. Any transfer, or exercise of the Subscription Rights attached to the Bonus Warrants made while the register of the Warrantholders is so closed will, as between the Company and the person claiming under the relevant transfer of the Bonus Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Bonus Warrants (but not otherwise), be considered as made immediately after the reopening of the register of the Warrantholders.

6. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries may at any time purchase the Bonus Warrants:

- (i) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (ii) by private treaty at a price, exclusive of expenses, not exceeding 110 percent of the closing price of the Bonus Warrants on the Stock Exchange prior to the date of purchase thereof;

but not otherwise. All Bonus Warrants purchased as aforesaid shall be cancelled forthwith and may not be re-issued or re-sold.

7. MEETING OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting the interests of the Warrantholders, including the modification by a Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or the terms and conditions endorsed on the Warrant Certificates. A Special Resolution duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Bonus Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the terms and conditions endorsed on the Warrant Certificates and/or the Instrument) and the prior sanction of a Special Resolution (as defined in the Instrument) is necessary to effect such alteration or abrogation and any modification to the Instrument may be effected only by deed poll executed by the Company and expressed to be supplemental to the Instrument.
- (c) Where a Warrantholder is a recognised clearing house (within the meaning of the SFO) or its nominee(s), it may authorise such person(s) as it thinks fit to act as its representative (or representatives), proxy (or proxies) at any meeting of the Warrantholders provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Bonus Warrants in respect of which each such person is so authorised. The person(s) so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if it were an individual Warrantholder.

8. QUORUM

The quorum of a meeting of the Warrantholders will be two or more Warrantholders, present in person or by proxy.

9. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the office of the registrars for the time being of the Company in Hong Kong (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 (or such higher fee as from time to time be permitted by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if “share” and “certificate” referred to therein included the Bonus Warrants and the Warrant Certificates respectively.

10. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument will contain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

11. CALL

If at any time the aggregate of the amount of Exercise Moneys attached to the Bonus Warrants which have not been exercised is less than 10 percent of the aggregate amount of Exercise Moneys attached to all the Bonus Warrants issued under the Instrument, the Company may, on giving not less than three months’ notice to that effect, require the Warranholders either to exercise their Subscription rights or to allow them to lapse. On expiry of such notice, the unexercised Bonus Warrants will be automatically cancelled without compensation to the Warranholders.

12. ISSUE OF FURTHER BONUS WARRANTS

The Company shall be at liberty to issue further warrants to subscribe Shares in such manner and on such terms as it sees fits.

13. UNDERTAKINGS BY THE COMPANY

The Company will undertake in the Instrument, among other things, that:

- (a) it will send to each Warranholder, at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (b) it will pay all stamp duties (if any), registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Bonus Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights; and
- (c) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all outstanding of Subscription Rights.

14. LISTING

The Company shall use its best endeavours to procure that:

- (i) at all times during the Subscription Period, the Bonus Warrants may be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Bonus Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Bonus Warrants); and
- (ii) all Shares allotted upon exercise of the Subscription Rights may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to Warrantholders).

15. OVERSEAS WARRANTHOLDERS

None of the Subscription Rights attaching to the Bonus Warrants may be exercised by any Warrantholder whose registered address is in or who is a national of or is resident in any territory other than Hong Kong where, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or may in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable under the laws of such territory or Hong Kong and each exercise of the Subscription Rights shall constitute a confirmation that the Warrantholder so exercising is not a resident or national of any such territories. In addition, the Directors shall have the discretion, if in their opinion that the foregoing restriction may apply to any exercise of Subscription Rights, to refuse to accept such exercise.

16. RIGHTS OF WARRANTHOLDERS ON WINDING-UP

- (a) In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to wind-up the Company voluntarily, the Company shall forthwith give notice thereof to each Warrantholder and every Warrantholder shall be entitled by irrevocable surrender of his Warrant Certificate(s) to the Company with the subscription form(s) duly completed, together with payment of the Exercise Moneys or the relative portion thereof (such subscription form(s) and Exercise Moneys to be received by the Company not less than two Business Days prior to the proposed Shareholders' meeting) to be allotted and issued, as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting, the Shares to be issued pursuant to the exercise of the relevant Subscription Rights.

- (b) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some persons designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warranholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warranholders.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up of the Company will lapse and the Warrant Certificates will cease to be valid for any purpose.

17. NOTICES

The Instrument will contain provisions relating to notices to be given to Warranholders.

18. GOVERNING LAW

The Instrument and the Bonus Warrants will be governed by and are to be construed in accordance with the laws of Hong Kong.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of South China Financial Holdings Limited (the “Company”) will be held at 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 12 October 2007 at 9:15 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution:

ORDINARY RESOLUTION

“**THAT**, conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting listing of, and permission to deal in, the warrants (the “Bonus Warrants”) and any shares of the Company (the “Shares”) to be issued upon any exercise of the subscription rights attaching to the Bonus Warrants, the directors of the Company be and are hereby authorised:

- (a) to create the Bonus Warrants, which shall be in registered form, to subscribe, at the initial exercise price of HK\$0.168 per Share, subject to adjustments and the terms and conditions set out in the warrant instrument (the “Bonus Warrant Instrument”, a copy of a draft of which has been produced to the meeting and signed for the purpose of identification by the Chairman) and such Bonus Warrants could be exercised during the period from the date of dealing in the Bonus Warrants on the Stock Exchange commence on 23 October 2007 to 22 October 2008 (both dates inclusive) and to issue the same by way of bonus to and among the persons who were registered as shareholders of the Company (the “Shareholders”) on 12 October 2007 in the proportion of one Bonus Warrant carrying the right to subscribe at HK\$0.168 for a Share in the capital of the Company for every 5 Shares held, provided that:
 - (i) in the case of persons having registered addresses not in Hong Kong, the relevant Bonus Warrants shall at the discretion of the directors of the Company not be issued to such persons but be aggregated and sold in the market and the net proceeds of sale, after deduction of expenses, distributed pro rata to such persons unless such amount falling to be distributed to any such persons is less than HK\$100 in which case such amount will be retained for the benefit of the Company; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (ii) no fractional entitlements to Bonus Warrants shall be issued aforesaid, but the fractional entitlements shall be aggregated and sold for the benefit of the Company. The net proceeds of the sale will be retained for the benefit of the Company. The directors of the Company shall do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements;
- (b) as a specific mandate to the directors of the Company, to allot and issue shares in the capital of the Company arising from the exercise of subscription rights under such Bonus Warrants or any of them;
- (c) to affix the common seal of the Company to and to sign the Bonus Warrant Instrument in accordance with the articles of association of the Company; and
- (d) to do all such acts and things as the directors of the Company consider necessary or expedient to give effect to the transactions contemplated by the Bonus Warrant Instrument.”

Yours faithfully,
By Order of the Board
Sun Kwing Sum
Company Secretary

Hong Kong, 25 September 2007

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's share registrar, Union Registrars Limited not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof should he/she so wishes. The address of Union Registrars Limited is currently located at Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong and will, as from 1 October 2007, be changed to Rooms 1901-02 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.