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

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

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**SOUTH CHINA FINANCIAL HOLDINGS LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME,
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening an annual general meeting of South China Financial Holdings Limited (the "Company") to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 5 June 2012 at 10:30 a.m. is set out on pages 26 to 30 of this circular.

A proxy form for use at the annual general meeting is enclosed with this circular. Whether or not you are able to attend the annual general meeting or any adjournment thereof, you are requested to read the notice and complete and return the proxy form in accordance with the instructions printed thereon, to the Company's share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the annual general meeting or any adjournment thereof should you so wish.

27 April 2012

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be convened and held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 5 June 2012 at 10:30 a.m., notice of which is set out on pages 26 to 30 of this circular
“Articles of Association”	the articles of association of the Company
“Board”	the Company’s board of Directors
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the laws of Hong Kong) as amended from time to time
“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
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the conditions referred to in the New Share Option Scheme are fulfilled
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 31 May 2002, which will expire on 27 June 2012
“Grantee”	any Participant who accepts the offer of the grant of any Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which any member of the Group holds any equity interest

DEFINITIONS

“Issue Mandates”	the general and unconditional mandates proposed under ordinary resolutions numbered 8(A) and 8(C) in the notice of the AGM set out on pages 26 to 28 of this circular to be granted to the Directors to (i) allot and issue shares of the Company up to an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the said ordinary resolution; and (ii) to extend the mandate in (i) above by an amount representing the aggregate nominal amount of the Shares repurchased by the Company made pursuant to and in accordance with the Repurchase Mandate
“Latest Practicable Date”	23 April 2012, 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
“Memorandum of Association”	the memorandum of association of the Company
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of which is set out in Appendix III to this circular
“Option(s)”	share option(s) that may be granted under the New Share Option Scheme by the Board to the Participant(s) with rights to subscribe for Shares at a pre-determined subscription price in accordance with the New Share Option Scheme
“Participant(s)”	(i) any executive director, employee or proposed employee (whether full-time or part-time) of any member of the Group or any Invested Entity or Substantial Shareholder; (ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or Substantial Shareholder; (iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or Substantial Shareholder; (iv) any shareholder of any member of the Group or any Invested Entity or Substantial Shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or Substantial Shareholder; (v) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or Substantial Shareholder; (vi) any supplier of goods or services to any member

DEFINITIONS

	of the Group or any Invested Entity or Substantial Shareholder; (vii) any customer of any member of the Group or any Invested Entity or Substantial Shareholder; (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or Substantial Shareholder; and (ix) any other group or classes of participants from time to time determined by the Directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and, for the purposes of the New Share Option Scheme, shall include any company wholly owned by one or more persons belonging to any of the aforesaid classes of participants
“Repurchase Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered 8(B) in the notice of the AGM set out on page 28 of this circular to be granted to the Directors to repurchase the Company’s Shares up to an aggregate nominal amount not exceeding 10% of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the said ordinary resolution
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under Rule 1.01 of the Listing Rules
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“%”	per cent.

LETTER FROM THE BOARD



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(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 Yuk Yeung, Paul (*Vice-chairman*)
Mr. Chan Hing Wah (*Chief Executive Officer*)

Registered office:

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

Non-executive Director:

Mr. Ng Tze Wai

Independent Non-executive Directors:

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

27 April 2012

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

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES,
RE-ELECTION OF DIRECTORS,
ADOPTION OF NEW SHARE OPTION SCHEME,
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with the relevant information regarding (i) the proposed granting of the Issue Mandates and the Repurchase Mandate; (ii) the proposed re-election of Directors; (iii) the proposed adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme and to give you notice of the AGM at which resolutions will be proposed to consider, and, if thought fit, approve at the AGM, among other matters, the granting of the Issue Mandates and the Repurchase Mandate, the re-election of Directors, the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

LETTER FROM THE BOARD

ISSUE MANDATES AND REPURCHASE MANDATE

At the annual general meeting of the Company held on 31 May 2011, resolutions were passed by the Shareholders giving general unconditional mandates to the Directors to issue and allot Shares and to exercise the powers of the Company to repurchase its own Shares in accordance with the Listing Rules. These general mandates will lapse at the conclusion of the AGM.

It is therefore necessary to renew the Issue Mandates and the Repurchase Mandate at the AGM and ordinary resolutions will be proposed to seek the Shareholders' approval for granting of the Issue Mandates and the Repurchase Mandate at such meeting. Details of the aforesaid resolutions are set out in ordinary resolutions numbered 8(A), 8(B) and 8(C) in the notice of the AGM.

As at the Latest Practicable Date, the number of Shares in issue was 5,028,334,500. Subject to the passing of the resolutions in relation to the Issue Mandates and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Issue Mandates to allot a maximum of 1,005,666,900 Shares, representing 20% of the issued share capital of the Company.

The Issue Mandates and the Repurchase Mandate, if approved at the AGM, will continue in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held or until revoked or varied by ordinary resolution by the Shareholders in general meeting, whichever occurs first.

An explanatory statement as required by the Listing Rules to provide the Shareholders with all the information reasonably necessary for them to make an informed decision on the proposed resolution for the granting of the Repurchase Mandate is set out in the Appendix I to this circular.

RE-ELECTION OF DIRECTORS

At the AGM, ordinary resolutions will also be proposed to re-elect Mr. Richard Howard Gorges, Mr. Ng Yuk Yeung, Paul, Mr. Chan Hing Wah and Mrs. Tse Wong Siu Yin, Elizabeth as Directors in accordance with the Articles of Association. To enable the Shareholders to make an informed decision on the re-election of these retiring Directors, the biographical details of the retiring Directors, as required under Chapter 13 of the Listing Rules, are set out in the Appendix II to this circular for the information of Shareholders.

Mrs. Tse Wong Siu Yin, Elizabeth was appointed as an independent non-executive director of the Company on 25 November 1992 and she has served the Company for more than 9 years. Pursuant to A.4.3 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, any further appointment of an independent non-executive director in excess of 9 years should be subject to a separate resolution to be approved by shareholders. During the period of Mrs. Tse's appointment, she has made valuable advice to the Company due to her extensive knowledge in a wide variety of industries and she has not had any relationship or interest that may interfere with her unfettered and independent judgment when exercising her duties as an independent non-executive director of the

LETTER FROM THE BOARD

Company. Mrs. Tse met the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided an annual confirmation of her independence to the Company since 2005. The Directors believe that she continues to be independent and her extensive knowledge and experience of the Group's business continue to be benefit to the Company and therefore recommend Shareholders to vote in favour of her re-election.

ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme

The Existing Share Option Scheme was adopted by the Company pursuant to an ordinary resolution passed by the Shareholders in the annual general meeting on 31 May 2002.

As at the Latest Practicable Date, the Company had granted options to subscribe for a total of 546,000,000 Shares, of which options to subscribe for 23,500,000 Shares had been exercised, options to subscribe for 509,000,000 Shares had lapsed and options to subscribe for 6,000,000 Shares had been cancelled under the Existing Share Option Scheme. Accordingly, there were outstanding options to subscribe for 7,500,000 Shares as at the Latest Practicable Date. The Directors have no intention to grant further options under the Existing Share Option Scheme prior to the AGM.

Termination of the Existing Share Option Scheme

Under the terms of the Existing Share Option Scheme, the Company may by resolution in general meeting at any time terminate the Existing Share Option Scheme. It is proposed by the Directors that at the AGM, an ordinary resolution will be proposed for the Company to terminate the Existing Share Option Scheme upon the adoption of the New Share Option Scheme (such that no further options could thereafter be offered under the Existing Share Option Scheme) but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and effect and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.

Adoption of the New Share Option Scheme

The Existing Share Option Scheme was adopted by the Company on 31 May 2002 which will expire on 27 June 2012. The Directors considered that the New Share Option Scheme, which will replace the Existing Share Option Scheme and will be valid for 10 years from the Effective Date, will provide the Company with more flexibility in long term planning of granting of the share options to eligible Participants in a longer period in the future, e.g. considering granting share options after the expiry of the Existing Share Option Scheme. The New Share Option Scheme also provides an opportunity for the Participants to participate in the equity of the Company as well as to motivate them to optimize their performance.

LETTER FROM THE BOARD

The rules of the New Share Option Scheme provide that the Company may specify the eligible Participant to whom Options shall be granted, the number of Shares subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. Also, there is no performance target specified in the New Share Option Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage eligible Participant to acquire proprietary interests in the Company.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme. Based on 5,028,334,500 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued or repurchased prior to the AGM, options to subscribe for up to a maximum of 502,833,450 Shares may be granted under the New Share Option Scheme and any other schemes of the Company. Moreover, under the New Share Option Scheme, the Company may seek for Shareholders' approval to renew such 10% limit provided, inter alia, that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Share Option Scheme and New Share Option Scheme and any other scheme of the Company must not exceed 30% of the Shares in issue from time to time.

None of the Directors is a trustee of the New Share Option Scheme or has a direct or indirect interest in the trustee.

The implementation of the New Share Option Scheme will be subject to and conditional upon:

- (1) the passing of an ordinary resolution at the AGM to approve the adoption of the New Share Option Scheme; and
- (2) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of any options granted under the New Share Option Scheme.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in the Shares, representing a maximum of 10% of the Company's issued share capital as at the date of adoption of the New Share Option Scheme, which fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

A summary of the principal terms of the rules of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM is set out in Appendix III to this circular.

LETTER FROM THE BOARD

VALUATION OF OPTIONS

The Directors consider that it is inappropriate to state the value of the Options that can be granted pursuant to the New Share Option Scheme as if they had been granted on the Latest Practicable Date prior to its adoption by the Shareholders given that a number of variables which are necessary for the calculation of the value of the Options cannot be ascertained at this stage. Such variables include the exercise price, exercisable period, interest rate, expected stock price volatility and other variables. With a scheme life of ten years, the Directors are of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility which the Share price may be subject to during the 10-year duration of the New Share Option Scheme. In the circumstances, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to evaluate or can only be evaluated subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

However, in the event that the New Share Option Scheme is adopted by the Shareholders and Options are granted thereunder, the value of the Options will be given in the interim report and annual report of the Company as required by the Listing Rules.

ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 26 to 30. At the AGM, relevant resolutions will be proposed to approve the granting of the Issue Mandates and the Repurchase Mandate, the re-election of Directors, the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme.

There is enclosed with the circular a proxy form for use at the AGM. Whether or not you are able to attend the AGM or any adjournment thereof, you are requested to read the notice and complete and return the proxy form in accordance with the instructions printed thereon, to the Company's share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish. In the event that a Shareholder having lodged a proxy form attends the AGM, his proxy form will be deemed to have been revoked.

VOTE BY POLL

Under Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the AGM will be taken by poll. No Shareholder is required to abstain from voting on any of the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the New Share Option Scheme will be available for inspection at the registered office of the Company at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours up to and including Tuesday, 5 June 2012 and will be available for inspection at the AGM.

RESPONSIBILITY STATEMENT

This circular for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

RECOMMENDATION

The Directors consider that the granting of the Issue Mandates and the Repurchase Mandate, the re-election of Directors, the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme are in the best interests of the Company and the Shareholders as a whole and so recommend the Shareholders to vote in favour of the resolutions to be proposed at the AGM.

Yours faithfully
For and on behalf of the Board
Ng Hung Sang
Chairman

This is an explanatory statement given to the Shareholders relating to the resolution to be proposed at the AGM authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to the Listing Rules, which is set out as follows:

1. EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, the number of Shares in issue was 5,028,334,500.

Subject to the passing of the resolution in relation to the Repurchase Mandate and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 502,833,450 Shares (representing 10% of the issued share capital of the Company) during the period from the date of the passing of the ordinary resolution numbered 8(B) in the notice of the AGM set out on page 28 of this circular up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or (iii) the revocation or variation of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

2. REASONS FOR THE REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interest of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules and the Companies Ordinance. The Company is empowered by its Articles of Association to repurchase its Shares. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for this purpose of the repurchase to such extent allowable under the Companies Ordinance.

4. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the financial year ended 31 December 2011) in the event that the Repurchase Mandate is exercised in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules, the Memorandum and Articles of Association and the applicable laws of Hong Kong.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) have any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell any Shares to the Company, nor has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. TAKEOVERS CODE

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert (as interpreted according to the Takeovers Code), depending on the level of the increase of the shareholder's interest, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Mr. Ng Hung Sang ("Mr. Ng"), together with his associates, was taken to be interested in 2,969,463,624 Shares, representing approximately 59.05% of the issued share capital of the Company, and was a Substantial Shareholder. In the event that the Directors exercise the proposed Repurchase Mandate in full and assuming that there is no change in the issued share capital of the Company and the number of Shares held by Mr. Ng, together with his associates, remains unchanged, the interests of Mr. Ng and his associates in the issued share capital of the Company would be increased to approximately 65.62% and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code.

7. SHARE REPURCHASE MADE BY THE COMPANY

No repurchase of any Shares has been made by the Company in the six months prior to the Latest Practicable Date, whether on the Stock Exchange or otherwise.

8. SHARE PRICES

The highest and lowest prices at which Shares have been traded on the Stock Exchange during each of the previous twelve months preceding the Latest Practicable Date were as follows:

	Price per Share	
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2011		
April	0.116	0.101
May	0.108	0.095
June	0.097	0.080
July	0.092	0.078
August	0.099	0.066
September	0.071	0.053
October	0.068	0.043
November	0.086	0.059
December	0.070	0.056
2012		
January	0.065	0.061
February	0.078	0.059
March	0.081	0.061
April (up to the Latest Practicable Date)	0.079	0.058

Details of the retiring Directors proposed to be re-elected at the AGM at the Latest Practicable Date are set out as follows:

1. Mr. Richard Howard Gorges, Executive Director and Vice-Chairman

Aged 68, an Executive Director and a Vice-Chairman of the Company and South China (China) Limited (“SCC”), and an executive director of South China Holdings Limited (“SCH”) and South China Land Limited (“SCL”). The shares of SCC and SCH are listed on the Main Board of the Stock Exchange. The shares of SCL are listed on the GEM Board of the Stock Exchange. Mr. Gorges holds a Master degree in law from Cambridge University in the United Kingdom. He was appointed as a Director of the Company on 7 December 1988. Save as disclosed above, Mr. Gorges does not hold any directorship in any other listed public companies currently or in the past three years.

Mr. Gorges has not entered into any service contract with the Company and is subject to retirement by rotation and re-election in accordance with the Articles of Association. He received a director’s emoluments for HK\$1,898,725 for the year ended 31 December 2011 which was determined by reference to his skills, knowledge, involvement and performance in the Company, with reference also to the Company’s performance and profitability, as well as industry practice.

As at the Latest Practicable Date, Mr. Gorges was holding as beneficial owner 12,174,000 Shares within the meaning of Part XV of the SFO.

On 19 December 2007, the Securities and Futures Commission (the “SFC”) revoked its approval of Mr. Gorges to act as a responsible officer of any licensed corporations, suspended his Type 6 (advising on corporate finance) licence for 18 months from 29 November 2007 to 28 May 2009 and fined him HK\$250,000 for failing to properly, actively and diligently supervise the performance of duties by those to whom he had delegated them in the years 2002 and 2003 in respect of 3 companies in which he was a responsible officer. In addition, SFC has reprimanded and fined South China Securities Limited (“SC Securities”) for failing to comply with the Financial Resources Rules under the Securities Ordinance, the Securities and Futures (Financial Resources) Rules and the Securities and Futures (Client Money) Rules during the period from May 2002 to October 2003 and reached an agreement with South China Capital Limited (“SC Capital”) and South China Research Limited (“SC Research”) in respect of certain breaches during the period from October 2002 to October 2003, in which Mr. Gorges is a director of SC Securities, SC Capital and SC Research.

Details of the sanctions can be obtained from the SFC website at <http://www.sfc.hk>.

Save as disclosed above, Mr. Gorges does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company, and he has confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h)-(v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election.

2. Mr. Ng Yuk Yeung, Paul, Executive Director and Vice-Chairman

Aged 30, is an Executive Director and a Vice-Chairman of the Company, and an executive director and the chief executive officer of SCL. The shares of SCL is listed on the GEM Board of the Stock Exchange. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the “University”) in the United Kingdom and is a Scholar of the University. Mr. Ng was appointed as a Director of the Company on 15 September 2003 and was appointed as a Vice-Chairman on 1 December 2010. He has been engaged in the financial services, tourism and media businesses for nine years. Mr. Ng is a son of Mr. Ng Hung Sang, the Chairman of the Company. Save as disclosed above, Mr. Ng does not hold any directorship in any other listed public companies currently or in the past three years.

As at the Latest Practicable Date, Mr. Ng was holding as beneficial owner of 250,000 shares in South China Financial Credits Limited, an associated corporation of the Company within the meaning of Part XV of the SFO. He has not entered into any service contract with the Company and is subject to retirement by rotation and re-election in accordance with the Articles of Association. Mr. Ng received a director’s emolument of HK\$10,000 for the year ended 31 December 2011 which was determined by reference to his skills, knowledge, involvement and performance in the Company, with reference also to the Company’s performance and profitability, as well as industry practice.

Save as disclosed above, Mr. Ng does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company, and he has confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h)-(v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election.

3. Mr. Chan Hing Wah, Executive Director and Chief Executive Officer

Aged 52, is an Executive Director and the Chief Executive Officer of the Company. He has over 25 years experience in the securities and futures industry. He joined the Company as the Chief Executive Officer on 12 May 2011 and was appointed as an Executive Director on 9 June 2011. Prior to joining the Company, he has held senior positions of various reputable organizations including deputy chief executive officer of OSK Holdings (Hong Kong) Limited, head of securities services of Fubon Bank, managing director of South China Brokerage Company Limited (former name of the Company), chief executive officer of Hutchison CSFBdirect Limited, chief operating officer of Infocast Limited, director of Worldsec International Limited, chief operating officer of Hong Kong Futures Exchange Limited and director of HKFE Clearing Corporation Limited. Mr. Chan holds a Master’s degree in Business Administration from the University of Hong Kong and is a member of the Hong Kong Securities Institute and was the chairman of the Hong Kong Association of Online Brokers. Save as disclosed above, Mr. Chan does not hold any directorships in any other listed public companies currently or in the last three years.

As at the Latest Practicable Date, Mr. Chan did not have any interest in any shares of the Company within the meaning of Part XV of the SFO. He has not entered into any service contract with the Company and is subject to retirement by rotation and re-election in accordance with the Articles of Association. He received a total emolument (including the two periods of acting as Chief Executive Officer only and acting as both Executive Director and Chief Executive Officer) of HK\$1,364,413 for the period from 12 May 2011 to 31 December 2011 which was determined by reference to his skills, knowledge, involvement and performance in the Company, with reference also to the Company's performance and profitability, as well as industry practice.

Save as disclosed above, Mr. Chan does not have any other relationships with any directors, senior management, substantial shareholders or controlling shareholders of the Company, and he has confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h)-(v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election.

4. Mrs. Tse Wong Siu Yin, Elizabeth, Independent Non-executive Director

Aged 54, is an Independent Non-executive Director of the Company, SCH and SCC, the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council and she received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. The shares of SCH and SCC are listed on the Main Board of the Stock Exchange. Mrs. Tse holds a Bachelor degree of Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 25 November 1992. Save as disclosed above, Mrs. Tse does not hold any directorships in any other listed public companies currently or in the last three years.

As at the Latest Practicable Date, Mrs. Tse did not have any interest in any shares of the Company within the meaning of Part XV of the SFO. She has not entered into any service contract with the Company and is subject to retirement by rotation and re-election in accordance with the Articles of Association. She received a director's emoluments of HK\$75,000 for the year ended 31 December 2011 which was determined by reference to her skills, knowledge, involvement and performance in the Company, with reference also to the Company's performance and profitability, as well as industry practice.

Save as disclosed above, Mrs. Tse does not have any other relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company, and she has confirmed that there is no other information to be disclosed pursuant to Rule 13.51(2)(h)-(v) of the Listing Rules and there are no other matters that need to be brought to the attention of the Shareholders in connection with her re-election.

This Appendix summarizes the principal terms of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme.

The following is a summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM:

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide incentive or rewards to the Participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any Invested Entity.

(b) Who may join

The Directors may, at their absolute discretion, grant Options to any person belonging to any of the following classes of participants to subscribe for Shares:

- (aa) any executive director, employee or proposed employee (whether full-time or part-time) of any member of the Group or any Invested Entity or Substantial Shareholder;
- (bb) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or Substantial Shareholder;
- (cc) any individual for the time being seconded to work for any member of the Group or any Invested Entity or Substantial Shareholder;
- (dd) any shareholder of any member of the Group or any Invested Entity or Substantial Shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or Substantial Shareholder;
- (ee) any business partner, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or Substantial Shareholder;
- (ff) any supplier of goods or services to any member of the Group or any Invested Entity or Substantial Shareholder;
- (gg) any customer of any member of the Group or any Invested Entity or Substantial Shareholder; and
- (hh) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or Substantial Shareholder.

For the avoidance of doubt, the grant of any Options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the New Share Option Scheme.

The basis of eligibility of any of the above classes of Participants to the grant of any Options shall be determined by the Directors from time to time on the bases of their contribution to the development and growth of the Group and the Invested Entity.

(c) Maximum number of Shares available for subscription

- (aa) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all Options (excluding, for this purpose, Options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company) which may be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of passing the resolution to adopt the New Share Option Scheme (the “Scheme Mandate Limit”) by the Shareholders.
- (cc) Subject to (aa) above and without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meetings to renew the Scheme Mandate Limit provided that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of the renewal by Shareholders. Upon any such renewal, all Options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option schemes of the Company) previously granted under the New Share Option Scheme and any other share option schemes of the Company prior to the approval of such renewal will not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded.
- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may issue a circular to the Shareholders and seek separate Shareholders’ approval in general meetings to grant Options beyond the Scheme Mandate Limit or, if applicable, the limit referred to in (cc) above to Participants specifically identified by the Company before such approval is sought.

(d) Maximum entitlement of each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding Options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the “Individual Limit”). Any further grant of Options to a Participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meetings of the Company with such Participant and his associates abstaining from voting.

(e) Grant of Options to connected persons

- (aa) Any grant of Options under the New Share Option Scheme to a connected person (as defined in the Listing Rules) or his associates (as defined in the Listing Rules) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options).
- (bb) Where any grant of Options to a Substantial Shareholder or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules), would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue for the time being; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders. A shareholders’ circular of the Company must be prepared and sent to the Shareholders. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll. Any change in the terms of Options granted to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders.

(f) Time of acceptance and exercise of an Option

There is no specific requirement under the New Share Option Scheme that an Option must be held for any minimum period before it can be exercised, but the terms of the New Share Option Scheme provide that the Board has the discretion to impose a minimum period at the time of grant of any particular Option. Acceptance of an offer of the grant of an Option shall be made within 28 days from the date of offer. The date of grant of any particular Option is the date when the duplicate offer document constituting acceptance of the Option duly signed by the Grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company. The period during which an Option may be exercised will be determined by the Board at its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted upon the expiry of the 10th anniversary of the Effective Date of the New Share Option Scheme. Subject to earlier termination by the Company in general meetings or by the Board in accordance with the terms of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years from the Effective Date.

(g) Performance targets

Unless the Directors otherwise determined and provided in the offer of the grant of Options, there is no performance target that must be achieved before any Options granted under the New Share Option Scheme can be exercised.

(h) Subscription price for Shares

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the Directors, which shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. Without prejudice to the generality of the foregoing, the Directors may grant Options in respect of which the subscription price is fixed at different prices for each different period during the Option period provided that the subscription price for Shares for each of the different periods shall not be less than the subscription price determined in the aforesaid manner.

(i) Ranking of Shares

- (aa) Shares allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the Grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the Grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the Grantee is registered on the register of members of the Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an Option shall not carry voting rights until the completion of the registration of the Grantee as the holder thereof.
- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(j) Restrictions on the time of grant of Options

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules, in particular, during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange) for the approval of the Company’s results for any year, half-year or quarterly period; and (ii) the deadline for the Company to publish an announcement of its results for any year, half-year or quarterly period and ending on the date of the results announcement, or such period as prescribed under the Listing Rules from time to time.

(k) Rights are personal to Grantee

An Option is personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or in any manner dispose of or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by a Grantee of the Option shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee.

(l) Rights on ceasing employment

If the Grantee of an Option is an employee and he ceases to be an employee for any reason other than death or the termination of employment on one or more of the grounds specified in paragraph (u) below before exercising his Option in full, the Option (to the extent which has become exercisable and not already exercised) will lapse within the period of one month following the date of such cessation, which date shall be the last actual working day with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death

If the Grantee of an Option ceases to be a Participant by reason of death before exercising the Option in full (provided that none of the events which would be a ground for termination for his or her employment under paragraph (u) below arises prior to his or her death), the legal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the Option (to the extent which has become exercisable and not already exercised).

(n) Rights on a general offer

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the Grantee (or his legal personal representatives) shall be entitled by notice in writing to the Company to exercise the Option in full (to the extent not already exercised) or to the extent specified in such notice at any time within one month after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding up

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall give notice thereof to the Grantee (or his legal personal representatives) who shall whereupon be entitled not later than two business days prior to the proposed shareholders' meeting by notice in writing to the Company to exercise the Option either to its full extent or to the extent specified in such notice of the Grantor (or his legal personal representatives) and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed shareholders' meeting, allot such number of Shares to the Grantee which shall fall to be issued pursuant to the exercise of the Option.

(p) Rights on compromise or arrangement

If an application is made to the court (otherwise than where the Company is being voluntarily wound up) in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the Grantee may by notice in writing to the Company within two months after the date of such application, exercise the Option in full (to the extent not already exercised) or to the extent specified in such notice.

(q) Reorganisation of capital structure

(1) Subject to sub-paragraph (q) (2) below, in the event of any alteration in the capital structure of the Company (other than an issue of Shares either for private placement or as consideration in respect of a transaction to which the Company is a party) pursuant to a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital or otherwise howsoever in accordance with the requirements of the Stock Exchange or the Listing Rules, whilst any Option may become or remains exercisable, such corresponding alterations (if any) shall be made to:–

- (a) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (b) the subscription price;
- (c) the method of exercise of the Option; and/or
- (d) the maximum number of Shares referred to in paragraphs (c) and (d) above.

as an independent financial adviser or the auditors of the Company shall certify in writing to the Board, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and in accordance with the requirements set out in this sub-paragraph (q)(1), provided that:

- (i) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and
- (ii) no such alteration shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any Grantee is entitled to subscribe pursuant to the Options held by him.

The capacity of the independent financial adviser or the auditors in this sub-paragraph (q)(1) is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on the Company and the Grantees.

The costs of the auditors or the appointment of independent financial adviser shall be borne by the Company.

- (2) (a) Any alteration as referred to in sub-paragraph (q)(1) above should give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and
- (b) Any alteration as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalization issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the supplementary guidance and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time unless such alteration receives the prior approval of the Shareholders in a general meeting.

(r) Duration and administration of the New Share Option Scheme

Subject to the early termination of the New Share Option Scheme pursuant to the terms thereof, the New Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Effective Date (the “Option Period”), after which period no further Options will be granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect and Options granted prior thereto may continue to be exercisable in accordance with their terms of issue.

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties.

(s) Alterations to the terms of the New Share Option Scheme

The New Share Option Scheme and the terms of any Options (including amendments in order to comply with changes in legal or regulatory requirements) may be altered at any time and from time to time in any respect by resolution of the Board except that:

- (1) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Grantees or prospective Grantees without the prior sanction of a resolution by the Shareholders of the Company;
- (2) any change to the authority of the Directors or the administrators of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders; and
- (3) any alteration to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of the Options granted (except where the alterations take effect automatically under the existing terms of the New Share Option Scheme) must be approved by Shareholders.

Provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted but not exercised or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the New Share Option Scheme and the amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(t) Cancellation of Options

Any cancellation of Options granted but not exercised, if the Grantee of the relevant Options so agrees, must be approved by the Board.

Any cancellation of Options granted but not exercised and the granting of new Options to the same Grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(u) Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earlier of:

- (1) the expiry of the Option Period;
- (2) the expiry of the periods referred to in paragraphs (l), (m) and (n) above;
- (3) subject to paragraph (o) above, the date of the commencement of the winding up of the Company;
- (4) subject to paragraph (p) above, the proposed compromise or arrangement becoming effective;
- (5) the date on which the Grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offences involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary (a resolution of the Board to the effect that the employment of a Grantee having or not having been terminated on one or more of the grounds specified in this sub-paragraph (5) shall be final and conclusive and binding on the Grantee);
- (6) the date on which the Grantee commits a breach of paragraph (k) above if the Company shall exercise the Company's right to cancel the same; and
- (7) the date on which the Options are cancelled in accordance with paragraph (t).

(v) Termination

The Company, may by resolution in general meeting, or the Board may at any time terminate the New Share Option Scheme and in such event no further Option will be offered but the provisions of the New Share Option Scheme shall remain in full force and to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

NOTICE OF ANNUAL GENERAL MEETING



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

NOTICE IS HEREBY GIVEN that an annual general meeting of South China Financial Holdings Limited (the “Company”) will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Tuesday, 5 June 2012 at 10:30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To consider and adopt the audited financial statements together with the Directors’ Report and Independent Auditors’ Report for the year ended 31 December 2011.
2. To re-elect Mr. Richard Howard Gorges as Director.
3. To re-elect Mr. Ng Yuk Yeung, Paul as Director.
4. To re-elect Mr. Chan Hing Wah as Director.
5. To re-elect Mrs. Tse Wong Siu Yin, Elizabeth as Director.
6. To authorise the Board of Directors to fix the Directors’ remuneration.
7. To re-appoint Messrs. Ernst & Young as Auditors and authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

8. To consider and, if thought fit, pass (with or without modification) the following resolutions as ordinary resolutions:

(A) **“THAT:**

- (a) subject to sub-paragraph (c) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, or (iii) the exercise of any options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Articles of Association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, the Companies Ordinance of Hong Kong or any other applicable law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“Rights Issue” means an offer of shares in the share capital of the Company or an offer or issue of warrants or options or similar instruments to subscribe for shares in the share capital of the Company open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company 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, or

NOTICE OF ANNUAL GENERAL MEETING

the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

(B) **“THAT:**

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other exchange in accordance with all the applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares of the Company which may be repurchased pursuant to the approval in sub-paragraph (a) of this Resolution, shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, the Companies Ordinance of Hong Kong or any other applicable law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

- (C) **“THAT** conditional upon the Resolutions Nos. 8(A) and 8(B) set out in the notice convening this Meeting being passed, the aggregate nominal amount of the share capital which is repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 8(A) set out in the notice convening this Meeting.”

NOTICE OF ANNUAL GENERAL MEETING

(D) “**THAT:**

- (a) conditional upon the adoption of the New Share Option Scheme (as defined in Resolution No. 8(D)(b)) pursuant to Resolution No. 8(D)(b) below, the termination of the Existing Share Option Scheme be and is hereby approved;
- (b) conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the shares of HK\$0.025 each in the capital of the Company (the “Shares”) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the new share option scheme (a copy of which is produced to the Meeting and signed by the chairman of this Meeting for the purpose of identification) (the “New Share Option Scheme”), the New Share Option Scheme be and is hereby approved and adopted by the Company and the Directors be and are hereby authorized to allot, issue and deal in the Shares pursuant to the exercise of any options which may fall to be granted under the New Share Option Scheme and to take all such steps as they may consider necessary or expedient to implement the New Share Option Scheme, and that to the extent permissible under the Articles of Association of the Company, the Listing Rules and the rules of the New Share Option Scheme, the Directors may vote in respect of any resolution(s) under or affecting the New Share Option Scheme (including the granting of options thereunder or approving the allotment and issue of Shares upon exercise of options thereunder) notwithstanding any interest(s) of any Director(s); and
- (c) the aggregate nominal amount of share capital to be allotted and issued pursuant to Resolution No. 8(D)(b) above, together with any issue of Shares upon the exercise of any options granted under any other share option schemes as may from time to time be adopted by the Company, shall not exceed 10 per cent of the Shares in issue as at the date of the passing of this Resolution.”

9. To transact any other ordinary business.

By order of the Board
South China Financial Holdings Limited
Tong Kai Wing
Company Secretary

Hong Kong, 27 April 2012

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the annual 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 attorney or authority, must be deposited with the Company's share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the annual general meeting or any adjourned meeting thereof should he so wish.
3. The register of members of the Company will be closed from Friday, 1 June 2012 to Tuesday, 5 June 2012, both days inclusive, during which period no share transfers will be effected. In order to be eligible to attend and vote at the annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 31 May 2012.
4. In the case of joint shareholdings, any one of such persons may vote, either personally or by proxy in respect of such share, provided that if more than one of such joint holders be present at the meeting or any adjournment thereof personally or by proxy, the more senior shall alone be entitled to vote and for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the joint holding.
5. With regard to the resolutions set out in items 8(A) to 8(C) of this notice, the Directors wish to state that they have no immediate proposals either to issue or repurchase any shares of the Company. Approval is being sought from members as general mandates pursuant to the Listing Rules.