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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)



SOUTH CHINA LAND LIMITED

南華置地有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8155)

**JOINT ANNOUNCEMENT
CONNECTED TRANSACTION
SALE AND PURCHASE OF THE ENTIRE ISSUED SHARE CAPITAL OF
SOUTH CHINA FINANCIAL CREDITS LIMITED**

INTRODUCTION

On 5 November 2015 (after trading hours), SCF, Mr. Peter Ng and Mr. Paul Ng (collectively the “Vendors”) entered into the Agreement with PGHL, a direct wholly-owned subsidiary of SCL, whereby the Vendors have agreed to sell and PGHL has agreed to purchase the Sale Shares for the Net Asset Value subject to the terms and conditions set out in the Agreement including, among others, the adjustment of the consideration determined based on the Net Asset Value to the Completion Net Asset Value.

THE AGREEMENT

- Date** : 5 November 2015
- Vendors** : (i) SCF, the legal and beneficial owner of 39,999,999 Target Company Shares and beneficial owner of 1,625,001 Target Company Shares, collectively representing 98.81% of the Sale Shares;
- (ii) Mr. Peter Ng, the beneficial owner of 250,000 Target Company Shares, representing 0.595% of the Sale Shares; and
- (iii) Mr. Paul Ng, the beneficial owner of 250,000 Target Company Shares, representing 0.595% of the Sale Shares
- Purchaser** : PGHL
- Subject asset under the sale and purchase** : the Sale Shares

Consideration

The consideration shall be the Net Asset Value as at 15 October 2015 which is subject to the adjustment to align the consideration so determined to the Completion Net Asset Value as elaborated below. Under the Agreement, such consideration and the said adjustment shall be apportioned among the Vendors in accordance with their respective Sale Shares holding percentage. As such, the disposal of the Sale Shares by SCF is not expected to give rise to any significant gain or loss, which is calculated by the consideration (as adjusted) attributable to its 98.81% interests in the Target Company less the Attributable Completion Net Asset Value and, hence, significant impact on the profit or loss of SCF arising from the Transaction is not expected.

According to the latest available financial statements of the Target Company, the net asset value as at 15 October 2015, i.e. the Net Asset Value, amounted to HK\$20.8 million (comprising mainly the amount due from a fellow subsidiary of HK\$17.3 million, a portfolio of loan receivables of HK\$9.2 million and cash at bank of HK\$1.5 million after the deduction of the outstanding bank loan of HK\$7.0 million and other liabilities in an insignificant sum). As such, the consideration for the sale and purchase of the Sale Shares amounts to HK\$20.8 million and the consideration apportioned to SCF in the abovementioned manner amounts to HK\$20.6 million. The consideration shall be paid by the Purchaser to the Vendors or any other designated persons as the Vendors may direct in cash, cashier order or telegraphic or other electronic means of transfer of cleared funds at Completion.

The Vendors procured that the abovementioned fellow subsidiary will settle the amount due to the Target Company in cash on or before Completion. In addition, the Vendors shall deliver the Completion Accounts to the Purchaser within 30 days from the Completion Date. Should the Completion Net Asset Value exceed the consideration determined based on the Net Asset Value by more than HK\$100,000, the Purchaser shall pay to the Vendors or other designated persons as the Vendors may direct such excess amount in full on a dollar-for-dollar basis in cash within 30 days from the date of delivery of the Completion Accounts. In case the Completion Net Asset Value falls below the Net Asset Value by more than HK\$100,000, the Vendors shall pay to the Purchaser or other designated persons as the Purchaser may direct the shortfall amount in full on a dollar-for-dollar basis in cash within 30 days from the date of delivery of the Completion Accounts. The consideration and the adjustment thereto as referred to in the above were arrived at after arm's length negotiation between the Vendors and the Purchaser.

Conditions precedent

Completion shall be conditional upon, among others, the fulfillment of the following conditions:

- (i) the warranties, representations and/or undertaking given or made by the Vendors remaining true and accurate in all material respects and not misleading as given as at the date of the Agreement and as at Completion, and as if given at all times between the date of the Agreement and Completion;

- (ii) no matter, event, circumstance or change having occurred which has caused, causes or is likely to cause any material adverse effect on the business, operations, prospects or financial condition, or a material portion of the properties or assets, of the Company;
- (iii) all approvals, authorisations, consents, licences, certificates, permits, concessions, agreements or other permissions of any kind of, from or by any governmental authority, regulatory body or other third party necessary for the consummation of the transactions contemplated in the Agreement (if required), having been obtained by the Vendors and the Target Company on terms reasonably acceptable to the Purchaser and remaining in full force and effect where applicable;
- (iv) the Purchaser being reasonably satisfied with the results of the due diligence exercise relating to the Target Company prior to the Completion Date and the Purchaser being reasonably satisfied that the warranties are complete, true, accurate and not misleading and written notice to that effect having been delivered to the Purchaser;
- (v) there being no applicable law which prohibits, restricts or imposes conditions or limitations on, or is reasonably expected to operate to prohibit, restrict or impose conditions or limitations on, the consummation of the transaction contemplated under the Agreement;
- (vi) there being no bona fide legal, administrative or arbitration action, suit, complaint, charge, hearing, injunction, enquiry, investigation or proceedings in effect, pending or genuinely threatened as of Completion before any court, tribunal or arbitrator of a competent jurisdiction or by any governmental authority which seeks to prohibit, restrict, impose condition or limitation on or otherwise challenge any of the transactions contemplated under the Agreement; and
- (vii) the loan(s) made by the Target Company to any of the SCF's subsidiary being settled in full.

In the event that any of the above conditions is not fulfilled on or before the Long Stop Date (or such later date as the Vendors and the Purchaser may agree), the parties shall not be bound to proceed with the Transaction.

Completion

Upon fulfillment of the conditions precedent as set out in the Agreement, Completion shall take place on the Completion Date. Upon Completion, the Target Company will cease to be a subsidiary of SCF and become an indirect wholly-owned subsidiary of SCL. As such, the assets, liabilities and financial results of the Target Company will then be consolidated into the consolidated financial statements of SCL with effect from the Completion Date.

As a condition precedent for the Completion, the subsidiary of the SCF which is indebted to the Target Company in the sum of HK\$17.3 million as at 15 October 2015 shall settle such debt in cash on or before Completion. Therefore, the net assets of the Target Company to be delivered by the Vendors to the Purchaser upon Completion will comprise mainly bank deposits and a portfolio of loan receivables after the deduction of the outstanding bank loan and other liabilities in an insignificant sum. The sales proceeds from the Transaction will

replenish the bank and cash balance, which constitutes part of the general working capital of the SCF Group prior to Completion, disposed of as a result of the Transaction and, hence, be used by SCF as general working capital.

Given the above, the Transaction is not expected to result in a significant net cash outflow for SCL Group as bank deposits will constitute a major component of the net assets of the Target Company to be delivered to the Purchaser and a significant portion of the portfolio of loans receivable was financed by a bank loan. The payment of the consideration will be funded by internal resources of SCL.

INFORMATION OF THE TARGET COMPANY

Overview

The Target Company, which is 98.81% directly owned by SCF, was incorporated in Hong Kong with limited liability on 18 January 1999. SCF acquired 41,575,000 Target Company Shares at the then par value of HK\$1 each at HK\$41,575,000 and 50,000 Target Company Shares at HK\$53,775. Each of Mr. Peter Ng and Mr. Paul Ng acquired his holding in the Target Company Shares at the then par value of HK\$1 each at HK\$250,000. As a result of a capital reduction, the issued share capital of the Target Company was reduced from HK\$42,125,000, i.e. the Sale Shares at the then par value of HK\$1 each, to HK\$20,000,000. The principal activity of the Target Company, which maintains a money lenders licence, is money lending.

Financial information

The audited loss before and after tax of the Target Company for the years ended 31 December 2013 and 31 December 2014 are as follows:

	For the year ended	
	31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before and after tax	949	2,045

INFORMATION ON SCF AND OTHER VENDORS

SCF is an investment holding company. The principal activities of its subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, wealth management, property investment and investment holding.

Mr. Paul Ng is a son of Mr. Ng and an executive director of each of SCF and SCL.

Mr. Peter Ng is a son of Mr. Ng.

INFORMATION ON SCL AND THE PURCHASER

SCL is an investment holding company. The principal activities of its subsidiaries are property investment and development in the People's Republic of China and provision of investment advisory and asset management service.

The Purchaser is a direct wholly-owned subsidiary of SCL and an investment holding company.

RELATIONSHIP BETWEEN MR. NG AND HIS ASSOCIATES

SCL is owned as to 20.03% by Earntrade Investments Limited ("Earntrade") (including 9.74% owned by Bannock Investment Limited ("Bannock")), 16.26% by Fung Shing Group Limited ("Fung Shing"), 15.46% by Parkfield Holdings Limited ("Parkfield"), 0.68% by Ronastar Investments Limited ("Ronastar"), 0.58% by South China Strategic Limited ("SC Strategic"), 0.0001% by South China Finance And Management Limited ("SCFM"), 3.25% by Mr. Ng, 8.66% by his spouse, Ms. Ng Lai King Pamela ("Ms. Ng"), and 4.41% and 0.02% by each of his sons, Mr. Peter Ng and Mr. Paul Ng, respectively. Each of Fung Shing, Parkfield and Ronastar is wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade and Earntrade is owned as to 60% by Mr. Ng, 20% by Ms. Cheung and 20% by Mr. Gorges. Mr. Ng holds certain interests in SC Strategic indirectly via South China Holdings Company Limited ("SCHC") which is 60.87% owned by Mr. Ng. SCFM is an direct wholly owned subsidiary of SCF which is 26.94% owned by Mr. Ng. Each of Earntrade, Bannock, Fung Shing, Parkfield, Ronastar, SC Strategic, SCFM, Ms. Ng, Mr. Peter Ng and Mr. Paul Ng is an associate of Mr. Ng and a connected person of SCL within the meaning of the GEM Listing Rules.

SCF is owned as to 7.80% by Fung Shing, 14.79% by Parkfield, 0.66% by Ronastar, 3.69% by Mr. Ng, 3.98% by Mr. Peter Ng, 3.88% by Mr. Paul Ng and 3.98% by Ms. Jessica Ng. Each of Fung Shing, Parkfield and Ronastar is wholly-owned by Mr. Ng. Each of Fung Shing, Parkfield, Ronastar, Mr. Peter Ng, Mr. Paul Ng and Ms. Jessica Ng is an associate of Mr. Ng and a connected person of SCF within the meaning of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTION

So far as SCL is concerned, in a recent review of its existing business, the SCL management was of the view that it is in the best interest of SCL to consolidate its existing property development business and diversify into new business which is able to produce steady income stream. As mentioned in the joint announcements of SCL and SCF issued on 18 May 2015, 30 July 2015 and 30 September 2015, SCL has acquired a company engaged in provision of investment advisory and asset management services. The Transaction enables SCL to make a further step to diversify into the financial services related business with an existing platform without incurring substantial net cash outflows for the acquisition. From the perspective of SCL, the Transaction is essentially an acquisition of a loan portfolio in a manageable scale for it to kick-start the money lending business.

Given the requirements imposed on the authorized institutions by the Hong Kong Monetary Authority, the authorized institutions have sought the confirmation from the money lenders that they are willing and able to adhere strictly to the relevant prudential guidelines of the authority, including, among others, the loan-to-value ceiling and debt-servicing ratio

requirements. Provision of mortgage finance by the Target Company is subject to the bank's prior written approval. As such, property related lending business, which will be financed by internal resources, and non-property related lending business, which may be financed by bank borrowings, are conducted by separate entities to allow financing flexibility. SCF has obtained a money lenders license for its property related lending business with a view to tap the second mortgage market. As the customer loan portfolio of the Target Company was relatively small and the Target Company has not brought significant contribution to SCF in recent years, the SCF management was of the view that SCF should focus on the property related lending business with relatively larger scale in term of loan size. The Transaction will save the resources allocated to the non-property related lending business. In view of the above, SCF has agreed to sell its interest in the Target Company.

LISTING RULES AND GEM LISTING RULES IMPLICATIONS

Mr. Ng is the substantial shareholder of SCF and the controlling shareholder of SCL under the definition of the Listing Rules and GEM Listing Rules respectively. In addition, Mr. Paul Ng is the executive director of each of SCF and SCL. As such, the Transaction constitutes connected transaction for SCF and SCL under the Listing Rules (applicable to SCF) and GEM Listing Rules (applicable to SCL) respectively. Mr. Ng and his associates, namely Mr. Paul Ng and Ms. Jessica Ng, together with Ms. Cheung and Mr. Gorges, who are the executive directors of both SCF and SCL, have abstained from voting on the board resolutions approving the Transaction. The SCF Directors and SCL Directors (including the independent non-executive directors of respective companies) considered that the Transaction is on normal commercial terms, fair and reasonable, and in the interests of respective companies and their shareholders as a whole. The Agreement was entered into within 12 months after the signing of the agreement in respect of the Previous Acquisition. As such, the Transaction and the Previous Acquisition are aggregated for the connected transaction classification purpose pursuant to Rule 14A.81 of the Listing Rules and Rule 20.79 of the GEM Listing Rules, respectively. As all of the applicable Percentage Ratios of the Transaction and the Previous Transaction in aggregate are more than 0.1% but less than 5%, the Transaction is subject to the reporting and announcement requirements under Rule 14A.35 of the Listing Rules or Rule 20.33 of the GEM Listing Rules and Rule 14A.49 of the Listing Rules or Rule 20.47 of the GEM Listing Rules, respectively, and is exempt from the circular and shareholders' approval requirements under Rule 14A.76 of the Listing Rules or Rule 20.74 of the GEM Listing Rules.

DEFINITIONS

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

“Agreement”	the sale and purchase agreement dated 5 November 2015 entered into by SCF, Mr. Peter Ng and Mr. Paul Ng as Vendors and PGHL as Purchaser in respect of the Transaction;
“associate(s)”	has the meaning ascribed to it under the Listing Rules and GEM Listing Rules;
“Attributable Completion Net Asset Value”	the Completion Net Asset Value attributable to the Sale Shares owned by SCF, i.e. 98.81% of the Completion Net Asset Value;
“Business Day”	a day (other than Saturday, Sunday, public or statutory holiday and the day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours;
“BVI”	the British Virgin Islands;
“Completion”	completion of the Transaction contemplated under the Agreement;
“Completion Accounts”	the unaudited balance sheet as at the Completion Date showing the balances of the assets and liabilities immediate before Completion and the unaudited profit and loss account for the period from 1 January 2015 to the Completion Date up to Completion, which shall be prepared by following the same basis and method as adopted in the preparation of the audited financial statements for the year ended 31 December 2014 in accordance with the applicable accounting standards, signed by the directors of the Target Company and the Vendors;
“Completion Date”	the second Business Day after the day on which the last of the conditions precedent pursuant to the Agreement are fulfilled or otherwise waived or such other date as may be agreed by the Vendors and the Purchaser in writing subject to the condition that such day shall fall on a date on or before the Long Stop Date;
“Completion Net Asset Value”	the value of the net assets of the Target Company as at Completion Date as presented in the Completion Accounts;

“connected person”	has the meaning ascribed to it under the Listing Rules and GEM Listing Rules;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 December 2015 (or such later date as may be agreed between the Vendors and the Purchaser in writing);
“Mr. Gorges”	Mr. Richard Howard Gorges, an executive director of each of SCF and SCL;
“Mr. Ng”	Mr. Ng Hung Sang, the Chairman and an executive director of each of SCF and SCL, the substantial shareholder of SCF and the controlling shareholder of SCL;
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, a son of Mr. Ng and an executive director of each of SCF and SCL;
“Mr. Peter Ng”	Mr. Ng Yuk Fung Peter, a son of Mr. Ng;
“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive director of each of SCF and SCL;
“Ms. Jessica Ng”	Ms. Ng Yuk Mui Jessica, a daughter of Mr. Ng and a non-executive director of SCL;
“Net Asset Value”	the value of the net assets of the Target Company as at 15 October 2015 as presented in its management accounts, which shall be prepared by following the same basis and method as adopted in the preparation of the audited financial statements for the year ended 31 December 2014 in accordance with the applicable accounting standards;
“Percentage Ratio(s)”	has the meaning ascribed to it under Chapter 14 of the Listing Rules and Chapter 19 of the GEM Listing Rules;
“PGHL”	Prosperous Global Holdings Limited, a direct wholly owned subsidiary of SCL incorporated in BVI with limited liability;

“Previous Acquisition”	the sale and purchase of the entire issued capital in South China Asset Management Limited pursuant to the sale and purchase agreement dated 18 May 2015 entered into by SCF as vendor and WAHL as purchaser whereby SCF agreed to sell and WAHL agreed to purchase the entire issued capital of South China Asset Management Limited as disclosed in the joint announcements of SCF and SCL dated 18 May 2015, 30 July 2015 and 30 September 2015;
“Purchaser”	PGHL;
“Sale Shares”	42,125,000 ordinary shares in the capital of the Target Company, representing the entire issued share capital of the Target Company and the Vendors’ entire interest therein before the Transaction;
“SCF”	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability and the ordinary shares therein listed on the Main Board of the Stock Exchange;
“SCF Directors”	the directors (including the independent non-executive directors) of SCF;
“SCF Group”	SCF and its subsidiaries;
“SCL”	South China Land Limited, an exempted company incorporated in the Cayman Islands with limited liability and the ordinary shares therein listed on the GEM Board of the Stock Exchange;
“SCL Directors”	the directors (including the independent non-executive directors) of SCL;
“SCL Group”	SCL and its subsidiaries;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	South China Financial Credits Limited, a company incorporated in Hong Kong with limited liability and 98.81% directly owned by SCF;
“Target Company Share(s)”	issued ordinary share(s) in the capital of the Target Company;
“Transaction”	the sale and purchase of the Sale Shares;
“Vendors”	SCF, Mr. Peter Ng and Mr. Paul Ng, collectively;

“WAHL”

Wealth Anchor Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of SCL; and

“%”

per cent.

By Order of the Board
South China Financial Holdings Limited
Richard Howard Gorges
Executive Director

By Order of the Board
South China Land Limited
南華置地有限公司
Richard Howard Gorges
Executive Director

Hong Kong, 5 November 2015

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

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

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

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