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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of South China Financial Holdings Limited (the “**Company**”) dated 20 April 2016 (the “**Announcement**”) in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Unless otherwise defined herein or the context requires otherwise, terms used in this announcement shall have the same meanings as those used in the Announcement.

The Board wishes to provide further information in relation to the Announcement as follows:

1. Mr. Ng Yuk Yeung, Paul (“**Mr. Paul Ng**”) owned 292,500,000 Shares as at the date of the Announcement and this announcement, representing approximately 3.88% of the Shares in issue as at the respective dates. As Mr. Paul Ng is the son of Mr. Ng, he is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng.
2. Mr. Richard Howard Gorges (“**Mr. Gorges**”), being one of the directors of the Underwriter, owned 125,000,000 Shares as at the date of the Announcement and this announcement, representing approximately 1.66% of the Shares in issue as at the respective dates. Mr. Gorges, being one of the directors of the Underwriter, is also a party acting in concert with the Underwriter. In November 2015, Mr. Gorges disposed of a total of 120,500,000 Shares with a total consideration of HK\$10,276,050 (comprising (i) 15,300,000 Shares in the week of 16 November 2015 at HK\$0.089 per Share; and (ii) 105,200,000 Shares in the week of 23 November 2015 at the price per Share ranging from HK\$0.083 to HK\$0.089).

Accordingly, as at the date of the Announcement and this announcement,

- i. the Underwriter and the parties acting in concert with it should include the Underwriter, Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Ms. Cheung, Mr. Gorges and Mr. Paul Ng (collectively, the “**Concert Group**”); and
- ii. the Concert Group were interested in an aggregate of 2,757,078,945 Shares (instead of 2,339,578,945 Shares owned by the Underwriter and the parties acting in concert with it as referred to in the Announcement), representing approximately 36.56% (instead of approximately 31.02% as stated in the Announcement) of the Shares in issue as at the respective dates.

Shareholding structure of the Company

Having taken into account the abovementioned shareholdings of Mr. Gorges and Mr. Paul Ng, the table below depicts, for illustrative purposes only, the revised shareholding structure of the Company (i) as at the date of the Announcement and this announcement; (ii) immediately after the completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (iii) immediately after the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings:

	As at the date of the Announcement and this announcement		Immediately after the completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately after the completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings	
	Number of Shares	approx. %	Number of Shares	approx. %	Number of Shares	approx. %
The Underwriter	–	–	–	–	5,202,547,805	34.49
Fung Shing Group Limited (<i>Note 1</i>)	588,150,756	7.80	1,176,301,512	7.80	1,176,301,512	7.80
Parkfield Holdings Limited (<i>Note 1</i>)	1,115,592,000	14.79	2,231,184,000	14.79	2,231,184,000	14.79
Ronastar Investments Limited (<i>Note 1</i>)	49,996,800	0.66	99,993,600	0.66	99,993,600	0.66
Mr. Ng (<i>Notes 1 and 2</i>)	278,331,600	3.69	556,663,200	3.69	556,663,200	3.69
Sub-total of the Underwriter, Mr. Ng and the companies controlled by him	<u>2,032,071,156</u>	<u>26.94</u>	<u>4,064,142,312</u>	<u>26.94</u>	<u>9,266,690,117</u>	<u>61.43</u>
Ms. Cheung Choi Ngor (<i>Notes 2 and 4</i>)	307,507,789	4.08	615,015,578	4.08	615,015,578	4.08
Mr. Gorges (<i>Note 4</i>)	125,000,000	1.66	250,000,000	1.66	125,000,000	0.83
Mr. Paul Ng (<i>Note 5</i>)	<u>292,500,000</u>	<u>3.88</u>	<u>585,000,000</u>	<u>3.88</u>	<u>292,500,000</u>	<u>1.94</u>
Sub-total of the Underwriter and parties acting in concert with it	<u>2,757,078,945</u>	<u>36.56</u>	<u>5,514,157,890</u>	<u>36.56</u>	<u>10,299,205,695</u>	<u>68.28</u>
Hon. Raymond Arthur William Sears, Q.C. (<i>Notes 2 and 3</i>)	1,650,000	0.02	3,300,000	0.02	1,650,000	0.01
Public shareholders (excluding the Underwriter, the parties acting in concert therewith and the Directors)	<u>4,783,397,805</u>	<u>63.42</u>	<u>9,566,795,610</u>	<u>63.42</u>	<u>4,783,397,805</u>	<u>31.71</u>
Total	<u><u>7,542,126,750</u></u>	<u><u>100.00</u></u>	<u><u>15,084,253,500</u></u>	<u><u>100.00</u></u>	<u><u>15,084,253,500</u></u>	<u><u>100.00</u></u>

Notes:

- 1. Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited are wholly-owned by Mr. Ng. As such, Mr. Ng is the beneficial owner of the Shares held by such companies.*
- 2. Mr. Ng, Ms. Cheung and Hon. Raymond Arthur William Sears, Q.C. are Directors.*
- 3. The 1,650,000 Shares are the spouse interest of Hon. Raymond Arthur William Sears, Q.C.*
- 4. The parties acting in concert with the Underwriter include Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited. The abovementioned companies are under the control of Mr. Ng (see Note 1 above). By virtue of being directors of the Underwriter, Ms. Cheung and Mr. Gorges are also parties acting in concert with it.*
- 5. By virtue of being a close relative of Mr. Ng, Mr. Paul Ng is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code.*

If the Underwriter takes up the 5,202,547,805 Rights Shares referred to in the section headed “The Underwriting Agreement” in the Announcement, being the maximum possible number of excess Rights Shares, in full, it may result in an increase in the aggregate shareholding of the Concert Group to approximately 68.28% (instead of approximately 65.51% as stated in the Announcement) of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. In such case, Mr. Paul Ng and Mr. Gorges, both being parties acting in concert with the Underwriter, will also be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Concert Group unless the Whitewash Waiver is granted.

Save as disclosed in this announcement, each of Mr. Paul Ng and Mr. Gorges confirmed that there has been no dealing of Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by each of them for the six months’ period immediately prior to the date of the Announcement and each of them:

- (a) does not hold or have any control or direction over any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) has not received any irrevocable commitment or arrangement to vote in favour of or against the resolutions in respect of the Underwriting Agreement, the Rights Issue or the Whitewash Waiver; and
- (c) has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

As mentioned in the Announcement, the Underwriter and parties acting in concert with it (which refers to Mr. Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and Ms. Cheung) and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM. Since Mr. Paul Ng and Mr. Gorges are parties acting in concert with the Underwriter, each of them shall abstain from voting on the relevant resolutions at the EGM. For avoidance of doubt, each of Mr. Paul Ng and Mr. Gorges has not provided any irrevocable undertakings to the Company and/or the Underwriter to accept his entitlements to the allotment of Rights Shares pursuant to the Irrevocable Undertakings.

Save as disclosed above, all other information in the Announcement remain unchanged.

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed.

By Order of the Board
South China Financial Holdings Limited
Ng Yuk Mui Jessica
Executive Director

Hong Kong, 10 May 2016

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.