DEED OF IRREVOCABLE UNDERTAKINGS

Date: 31 MAY 2016

To: The board of directors (the "**Board**")
South China Financial Holdings Limited (the "**Company**")

Dear Sirs,

Proposed Rights Issue of 7,542,126,750 shares in the Company (the "Shares") at HK$0.066 per Share payable in full on acceptance

1. I, the undersigned, the holder of 15,000,000 share options granted to me on 9 June 2015 under the share option scheme of the Company adopted on 5 June 2012 (the "**Options**"). According to the acceptance letter regarding the Options dated 9 June 2015, one-third of the Options (the "**Exercisable Options**") are exercisable during the period from 9 June 2016 to 8 June 2018 (the "**Exercise Period**"). Upon full exercise of the Exercisable Options, a total of 5,000,000 Shares will fall to be issued to me. The remaining two-third of the Options (i.e. the remaining 10,000,000 share options as referred to in the above) are exercisable during the period from 9 June 2017 to 8 June 2020.

2. Save and except for the Options as referred to in paragraph 1 above, I do not hold any shares or other relevant securities (as defined in Note 4 to Rule 22 of the Hong Kong Code on Takeovers and Mergers) of the Company as at the date of this undertaking.

3. I refer to:

   (a) the proposed offer by the Company to the holders of the Shares, whose names appear in the register of members of the Company on 20 April 2016 or such other date as may be agreed between the Company and Uni-spark Investments Limited, being the date for determining the entitlements of the holders of Shares to participate in the Rights Issue, other than those overseas holders of the Shares whom the directors of the Company, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares (as defined below) to such holders of Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, of an aggregate of 7,542,126,750 new Shares (the "**Rights Shares**") for subscription by way of rights (the "**Rights Issue**") on the basis of one new Share for every one Share held at a price of HK$0.066 per Share substantially upon the terms and subject to the conditions set out in the announcements of the Company dated 20 April 2016 and 10 May 2016 (the "**Announcements**") appended hereto (see "**Annex**"); and

(b) the agreement entered into between the Company and Uni-spark Investments Limited dated 20 April 2016 (the "**Underwriting Agreement**") whereby Uni-spark Investments Limited has agreed to underwrite certain Rights Shares.

4. I hereby irrevocably and unconditionally undertake, represent and warrant to the Company as follows:

   (a) I will not exercise any of the Exercisable Options for the period from the date of this undertaking or the commencement of the Exercise Period (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue.

   (b) I have full power and authority and the right (free from any legal or other restrictions), and will at all times continue to have all relevant power and authority and the right, to enter into or perform my obligations under this undertaking in accordance with its terms.

5. I consent to the issue of announcement(s), circular and other relevant document(s) with references to me and/or to this undertaking as the Company may reasonably require in order to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Hong Kong Code on Takeovers and Mergers, and other applicable rules, laws and regulations.

6. This undertaking shall be binding upon my successors and/or personal representatives.

7. This undertaking shall be governed by and construed in accordance with Hong Kong law. I hereby irrevocably submit to the exclusive jurisdiction of the Hong Kong courts.

8. I intend this document to be a deed and execute and deliver it as a deed.

Signed, Sealed and **Delivered**)
by Li Chi Keung, Eliot)
in the presence of:)

TING MEI FONG

Annex
The Announcements

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date by issuing 7,542,126,750 Rights Shares at the Subscription Price of HK$0.066 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The estimated gross proceeds and net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) amount to approximately HK$497.8 million and HK$489.3 million, respectively. The Company intends to apply the net proceeds from the Rights Issue to expand the lending (including but not limited to margin financing, money lending, structured financing and other financing services), placing, underwriting and brokerage businesses and enter into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in mainland China, and to retain the amount which has not been so utilized as general working capital to support the operations of the Group, including but not limited to the possible repayment of bank borrowings.

Irrevocable Undertakings and the Underwriting Agreement

As at the date of this announcement, Mr. Ng, together with his associates, and Ms. Cheung hold 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng, his associates and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 2,032,071,156 (in aggregate) and 307,507,789 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue.

On 20 April 2016, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter (in addition to the obligations of Mr. Ng, his associates and the parties acting in concert with any of them under the Irrevocable Undertaking) has conditionally agreed to fully underwrite 5,202,547,805 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in this announcement.

Listing Rules Implications

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50% (either on its own or when aggregated with the rights issue completed in June 2015, which falls within the 12-month period immediately preceding the date of this announcement), the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19(6)(a) of the Listing Rules since there is no controlling shareholder. As such, Mr. Ng and Ms. Cheung, their associates and parties acting in concert with any of them will abstain from voting in the resolution to approve the Rights Issue at the EGM.

APPLICATION FOR WHITEWASH WAIVER

If the Underwriter takes up the 5,202,547,805 Rights Shares referred to in the paragraphs headed "Irrevocable Undertakings and the Underwriting Agreement" in the above, being the maximum possible number of excess Rights Shares, in full, it may result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and Ms. Cheung) from approximately 31.02% of the existing issued share capital of the Company to approximately 65.51% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. Accordingly, the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and Ms. Cheung) would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it 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.

CONNECTED TRANSACTION

As at the date of this announcement, Mr. Ng, the Substantial Shareholder and an executive Director of the Company and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules. However, the issue of Rights Shares to the Underwriter is fully exempted under Rule 14A.92(2) of the Listing Rules as there is arrangement for the Qualifying Shareholders to apply for the excess Rights Shares in compliance with Rule 7.21(1) of the Listing Rules. Notwithstanding the above, the payment of underwriting commission, which exceeds HK$3.0 million, to the Underwriter is subject to the announcement and reporting requirements but exempted from the Independent Shareholders' approval requirement under Rule 14A.76 of the Listing Rules as the relevant percentage ratio (other than the profits ratio) as defined in the Listing Rules is more than 0.1% but less than 5%. Despite the aforesaid exemptions under Chapter 14A of the Listing Rules, the Underwriting Agreement is subject to Independent Shareholders' approval under Rule 7.19(9) as the Rights Issue is conditional on approval by the Shareholders under Rule 7.19(6)(a) (refer to the paragraph headed "Listing Rules Implications" for details).

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be established to provide recommendations to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and an announcement will be made upon its appointment.

A circular containing, among others, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders in accordance with the Takeovers Code on or before 11 May 2016.

Subject to, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver being approved at the EGM, the Prospectus Documents or the Prospectus, whichever being appropriate, will be dispatched to the Qualifying Shareholders and, for information only, the Non-qualifying Shareholders in due course.

WARNING OF THE RISKS OF DEALING IN THE SHARES

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 (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date by issuing 7,542,126,750 Rights Shares at the Subscription Price of HK$0.066 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 20 April 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK$0.066 per Rights Share
Number of Shares in issue as at the date of this announcement	:	7,542,126,750 Shares
Number of Rights Shares	:	7,542,126,750 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	15,084,253,500 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue
Amount to be raised	:	Approximately HK$497.8 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, the Company has 45,000,000 outstanding Share Options which will vest in the period from 9 June 2016 to 8 June 2020. Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 45,000,000 Shares (which entitle to 45,000,000 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the date of this announcement to the Record Date.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The 7,542,126,750 Rights Shares represents 100.00% of the Company's issued share capital as at the date of this announcement and 50.00% of the Company's issued share capital as enlarged by the Rights Issue immediately after the completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue.

Fund raising methods comparison

The Board has considered other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company due to the fact that (i) the commercial banks are not willing to finance the proposed business plans set out in the section headed "Reasons for the Rights Issue" in this announcement, including but not limited to margin financing, money lending, structured financing and other financing services and/or greenfield projects; and (ii) other than the collaterals for the existing banking facilities, the Group do not have any other significant asset as collaterals. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs for such substantial sum are high and additional borrowings will deteriorate the gearing position of the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase its interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying for excess Rights Shares or (b) reduce its interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 June 2016.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 June 2016.

Closure of register of members

The register of members of the Company will be closed from Friday, 3 June 2016 to Friday, 10 June 2016 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the date of this announcement, there were three Overseas Shareholders.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Wednesday, 15 June 2016 to Wednesday, 22 June 2016 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Subscription price

The Subscription Price for the Rights Shares is HK$0.066 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(a) a discount of approximately 58.23% to the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 41.07% to the theoretical ex-rights price of approximately HK$0.112 per Share based on the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 52.38% to the average of the closing prices of approximately HK$0.139 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 38.36% to the average of the closing prices of approximately HK$0.107 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and

(e) a discount of approximately 21.32% to the average of the closing prices of approximately HK$0.084 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, the following:

(i) the historical closing price of the Shares was on an descending trend since 1 January 2016 up to 18 February 2016, and fluctuated between HK$0.06 per Share and HK$0.08 per Share with an average price of approximately HK$0.064 for such period;

(ii) the recent upward trend of the prevailing market prices of the Shares from 18 February 2016 to the Last Trading Day from the closing price of HK$0.062 per Share to the closing price of HK$0.158 per Share, represented an increase of approximately 154.84%;

(iii) the Company recorded a loss of approximately HK$14.9 million for the financial year ended 31 December 2015 and had net current asset of approximately HK$434.4 million as at 31 December 2015. The expected amount to be raised by the Rights Issue represents approximately 74.18% of the Company's equity as at 31 December 2015 and approximately 41.77% of the Company's market capitalization as at the Last Trading Day;

(iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issues" below;

(v) as disclosed in the announcement of the Company in respect of the rights issue completed in June 2015 dated 30 April 2015, the theoretical ex-rights price of the Shares amounts to HK$0.149 per Share. As quoted on the Stock Exchange on the Last Trading Day, the price of the Share amounted to HK$0.158 each, which is approximately 6.04% above the aforesaid theoretical ex-rights price. However, the average closing prices of the Shares for the 30 and 90 consecutive trading days up to and including the Last Trading Day (refer to (d) and (e) above) fell below the abovementioned theoretical ex-rights price by approximately 28.14% and 43.70%, respectively. As such, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) considered that the Subscription Price, which represents a discount of approximately 41.07% to the theoretical ex-rights price (refer to (b) above), was set at a reasonable amount to attract the shareholders to participate in the Rights Issue taking into account the volatile market in the past several months before the date of this announcement. The rights issue completed in June 2015 was over-subscribed. In view of the positive response from the Shareholders to the abovementioned rights issue and the

favourable Subscription Price, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) expected that the Rights Issue will unlikely result in a significant dilution to the Qualifying Shareholders on an overall basis;

(vi) in view of the uncertainties and the recent volatility in the Hong Kong stock market stemming from fluctuating market sentiment, and the possible devaluation trend of Asian currencies given the anticipation of the future fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) believe that it would be difficult to attract the Qualifying Shareholders to make further investment in the Company through the Rights Issue if the Subscription Price is not set at a discount to the recent closing prices of the Shares; and

(vii) although the Rights Issue has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil paid rights. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil paid rights in the market and/or through an EAF; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

In dollar terms, if the existing shareholders elect not to participate in the Rights Issue, there will be an approximately 29.11% dilution in value of shareholding in the Company from the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day to the theoretical ex-rights price of approximately HK$0.112 per Share in the Company based on the aforesaid closing price of HK$0.158 per Share.

Mr. Ng, the Chairman of the Board, an executive Director and the beneficial owner of the entire interests in the Underwriter, has abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver in view of his material interests therein. Ms. Cheung has also abstained from voting on such Board resolutions given the common directorship in the Company and the Underwriter and, hence the deemed interests in the proposed transactions. Ms. Jessica Ng, the daughter of Mr. Ng, has abstained from voting on the said Board resolutions voluntarily on the ground of good corporate governance. Notwithstanding the above, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms and structure of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), the subscription ratio and the potential dilution effect on the shareholding interests of the Qualifying Shareholders (which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares), are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee which will form and express its view on the proposed transactions after having been advised by the independent financial adviser and make recommendations to the Independent Shareholders accordingly) voted for the Board resolutions approving the Rights Issue.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares. Save for the normal interest in the abovementioned 1,650,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the independent financial adviser, Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director has no involvement in the aforesaid transactions.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.065.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Wednesday, 6 July 2016 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Wednesday, 6 July 2016 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 27 June 2016.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

THE UNDERWRITING AGREEMENT

On 20 April 2016, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by certain Shareholders and Directors pursuant to the Irrevocable Undertakings.

Agreement date	:	20 April 2016
Underwriter	:	Uni-spark Investments Limited The Underwriter is wholly-owned by Mr. Ng, the Chairman of the Board and an executive Director, beneficially.
Total number of Rights Shares underwritten by the Underwriter	:	5,202,547,805 Rights Shares (having taken into account the Irrevocable Undertakings and assuming no new Share being issued and no Share being repurchased on or before the Record Date)
Commission	:	The Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

As mentioned in the sub-section headed "Subscription Price" in the section headed "Proposed Rights Issue" in this announcement, Mr. Ng, Ms. Cheung and Ms. Jessica Ng have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Notwithstanding the above, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee which will form and express its view on the proposed transactions after having been advised by the independent financial adviser and make recommendations to the Independent Shareholders accordingly) voted for the Board

resolutions approving the Underwriting Agreement and the Whitewash Waiver (refer to the sections headed "Shareholding Structure of the Company" and "Takeovers Code Implications and Application for Whitewash Waiver" in this announcement for details).

The Company had not approached any other independent underwriters to consider underwriting the Rights Issue because the Underwriter is indirectly wholly owned by Mr. Ng, who is also the Substantial Shareholder of the Company with sufficient financial backing and a track record of completing capital market deals successfully with the Company. The Company is also mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending an announcement and not putting any person in a privileged dealing position. As the Rights Issue is a piece of highly material and price sensitive information, the Company did not consider approaching multiple potential underwriters with whom it does not have prior business relationship to be conducive to compliance with the relevant laws and regulations.

It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. Uni-spark Investments Limited's role as the Underwriter and the Irrevocable Undertakings given by Mr. Ng and his associates signify strong support from the Substantial Shareholder to the Group and his confidence in the prospects and development of the Group.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimizing dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the prevailing share price of the Company; (ii) the current uncertainties and low market sentiment in the Hong Kong stock market; (iii) the Subscription Price and ratio as well as the acceptance rate of the rights issue completed in June 2015; (iv) the latest business performance and financial position of the Group and (v) the funding and capital needs of the Company. Given the over-subscription of the rights issue completed in June 2015, the maximum dilution to all Qualifying Shareholders as a result of nil acceptance of the Rights Shares by them would unlikely occur.

Apart from the aforesaid factors, given that the maximum possible underwriting exposure of about HK$343.4 million is quite a substantial amount taking into account the Company's financial position, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that selecting a company wholly owned by Mr. Ng, who is willing to support the continuing growth of the Group, as the Underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Irrevocable Undertakings

As at the date of this announcement, Mr. Ng, together with his associates, and Ms. Cheung hold in aggregate 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited and Ronaster Investments Limited (refer to the section headed "Shareholding Structure of the Company" for details), and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 2,032,071,156 in aggregate and 307,507,789 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) one or more of the following events or matters shall occur, arise, exist, or come into effect:

(i) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

(iii) any material adverse change in the business or in the financial or trading position of any member of the Group after the signing of the Underwriting Agreement;

(iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

(v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

(vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant

to any member of the Group and a change in currency conditions for the purpose of the clause in the Underwriting Agreement governing the termination of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

(vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which event or events:

(a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;

(b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue

in the reasonable opinion of the Underwriter;

(B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

(a) the Independent Shareholders passing the ordinary resolutions at the EGM to approve (i) the Rights Issue; (ii) the Underwriting Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver (refer to the sections headed "Listing Rules Implications" and "Takeover Code Implications and Application for Whitewash Waiver" for further information);

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

(c) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;

(d) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;

(e) each of the relevant Shareholders and Directors complying with his/her/its obligations under the Irrevocable Undertakings;

(f) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination; and

(g) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination.

The conditions precedent set out in paragraphs (a) to (f) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (g) in whole or in part by written notice to the Company.

If the conditions precedent set out in above paragraphs are not satisfied, and/or remained un-fulfilled at the respective time and dates specified therein (or such other time as may be extended by the Underwriter (as permitted under the relevant legal and regulatory requirements)), the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Irrevocable Undertakings shall lapse upon the termination of the Underwriting Agreement.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2016
Announcement of the Rights Issue	**Wednesday, 20 April**
Expected despatch date of circular with notice and form of proxy for the EGM	Wednesday, 11 May
Latest time for lodging transfer of shares to qualify for attendance and voting at EGM	4:30 p.m. on Monday, 23 May
Closure of register of members of the Company for attending the EGM (both dates inclusive)	Tuesday, 24 May to Monday, 30 May
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Saturday, 28 May
Expected date and time of the EGM	**11:00 a.m. on Monday, 30 May**
Announcement of poll results of EGM	Monday, 30 May
Last day of dealings in Shares on a cum-rights basis	Tuesday, 31 May
First day of dealings in Shares on an ex-rights basis	Wednesday, 1 June
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 2 June
Closure of register of members of the Company for the rights issue (both dates inclusive)	Friday, 3 June to Friday, 10 June
Record Date and time for determining entitlements to the Rights Issue	4:30 p.m. on Friday, 10 June
Register of members of the Company re-opens	Monday, 13 June

Event	2016
Despatch of Prospectus Documents	Monday, 13 June
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 15 June
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Friday, 17 June
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 22 June
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	**4:00 p.m. on Monday, 27 June**
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	5:00 p.m. on Tuesday, 28 June
Announcement of results of the Rights Issue	Tuesday, 5 July
Refund cheques, if any, to be despatched (if the Rights Issue is terminated and in respect of unsuccessful or partially successful application for excess Rights Shares) on or before	Wednesday, 6 July
Certificates for fully paid Rights Shares to be despatched on or before	Wednesday, 6 July
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 7 July

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 7,542,126,750 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to the completion of the Rights Issue save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of 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 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 *(Note 1)*	588,150,756	7.80	1,176,301,512	7.80	1,176,301,512	7.80
Parkfield Holdings Limited *(Note 1)*	1,115,592,000	14.79	2,231,184,000	14.79	2,231,184,000	14.79
Ronastar Investments Limited *(Note 1)*	49,996,800	0.66	99,993,600	0.66	99,993,600	0.66
Mr. Ng *(Notes 1 and 2)*	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	2,032,071,156	26.94	4,064,142,312	26.94	9,266,690,117	61.43
Ms. Cheung Choi Ngor *(Notes 2 and 4)*	307,507,789	4.08	615,015,578	4.08	615,015,578	4.08
Sub-total of the Underwriter and parties acting in concert with it *(Note 4)*	2,339,578,945	31.02	4,679,157,890	31.02	9,881,705,695	65.51
Hon. Raymond Arthur William Sears, Q.C. *(Notes 2 and 3)*	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 Directors)	5,200,897,805	68.96	10,401,795,610	68.96	5,200,897,805	34.48
Total	7,542,126,750	100.00	15,084,253,500	100.00	15,084,253,500	100.00

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 a director of the Underwriter, Ms. Cheung is also a party acting in concert with it.

REASONS FOR THE RIGHTS ISSUE

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory, underwriting and wealth management services, property investment and investment holding.

As a result of continued expansion of commercial banks and financial institutions into brokerage and related businesses, the numerous acquisitions of local securities firms by Chinese and overseas investors and the increasing market share dominated by foreign owned banks and securities firms in Hong Kong financial markets, the Board believes that it is a requisite of local brokerage firms, like the Company, to increase its capital base for expanding its business operation and scale to maintain its market competitiveness. The Company will use its best effort to pursue its strategic goals and to take advantage of business opportunities as China continues to develop its capital markets to make them more open. To sharpen its competitiveness to meet the challenges ahead, it is necessary for the Company to increase its capital base to further develop its business, in particular:

- expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services. The expansion of lending business depends on the availability of the Group's capital resources and would enhance the Group's ability to broaden its client base as well as increase interest income. A larger amount of available funds would allow us to offer financing services to more clients and/or meet the needs of the clients (existing or prospective) who want higher credit limits better;

- entering into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in China. As at the date of this announcement, the Company had not identified any specific partner in the mainland. Also, no specific timeline has been set for such cooperative arrangements which may involve investments in significant sum. In the absence of a strong capital base and readily available funds for such investment, the Company may not be able to grasp the opportunities in this respect;

- expanding the placing and underwriting business. The number of placing and underwriting transactions and the size of placing and underwriting transactions that the Group may undertake depends on the availability of its capital resources. The Company intends to further expand the placing and underwriting business by participating in more placing and underwriting transactions and placing and underwriting transactions of larger size; and

- expanding the brokerage business so as to tap business opportunities arising from the Stock Connects among Hong Kong, Shanghai, Shenzhen and London through upgrading and improving the Group's information and technology infrastructure and trading platform, recruiting additional staff for sales and marketing team in Hong Kong, mainland China as well as the United Kingdom.

In view of the aforesaid proposed business plan, taking into account the Group's latest financial position, the Company has imminent fund raising needs. Certain activities set out in the abovementioned proposed plan are regulated activities under the SFC carried out by the Group's subsidiaries which are SFC licensed corporations that are required to comply with the financial resource requirement (i.e. minimum capital requirement) for further business expansion and also is restricted to obtain certain amount of bank borrowings and/or debt financing in accordance with the Securities and Futures Ordinance. Having considered these factors, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the Rights Issue will increase the capital base of the Group as well as provide additional funds at a reasonable cost to support the Group's continuing development and business growth and also give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company. Hence, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that fund raising through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the Rights Issue is in the best interest of the Company and its Shareholders as a whole. The Rights Issue will not only strengthen the Group's capital base but will also allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue.

The gross proceeds from the Rights Issue amounts to approximately HK$497.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK$489.3 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue together with the part of the proceeds from the rights issue completed in June 2015 intended to be applied for the money lending business, which remained un-utilized, of approximately HK$80.0 million (refer to the section

headed "Fund Raising Activities Involving Issue of Securities in the Past 12 Months" in this announcement for details) totalling approximately HK$569.3 million, for its business plan stated in the section headed "Reasons for the Rights Issues" as follows:

- approximately HK$263.0 million for expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services based on the estimated amount of capital resources required;

- approximately HK$280.0 million for establishing a securities joint venture in China based on the relevant minimum registered capital requirement and the shareholding of the joint venture which the Group targets to own;

- approximately HK$20.0 million for expanding the placing and underwriting business based on the estimated amount of capital resources required;

- the remaining sum of approximately HK$6.3 million and for developing the brokerage business and as general working capital of the Group.

To the extent that the proceeds are not immediately required, the Group will seek potential business opportunities in the securities and financial markets or may repay its bank borrowings so as to maximize the efficiency and return of such idle funds, broaden the income source and improve the financial position of the Group.

As at the date of this announcement, based on the information available to the Board and the existing business plan of the Group, the Board's latest estimate on the Company's expected funding needs for the next 12 months would be approximately the sum of net proceeds from the Rights Issue and the balance of the proceeds from the rights issue completed in June 2015, which remained un-utilized, and in arriving at such estimation, the Board based on the assumption that the Group will be able to implement its business plans as scheduled and had taken into account the expected amount to be provided for funding the Group's lending, placing, underwriting and brokerage businesses and joint venture investment in PRC given the current market conditions.

Future fund raising exercises

As at the date of this announcement, save for the Rights Issue, the Company has not identified any concrete fund raising plan. The proceeds from the Rights Issue may not satisfy the upcoming financing needs in full if there is any change of the Group's current circumstances and business plan or if there shall arise any other potential business opportunities.

Hence, the Board does not rule out the possibility that the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company raised HK$249.4 million (after deduction of costs and expenses incurred) in the rights issue completed in June 2015. Approximately HK$58.6 million and HK$94.6 million of the proceeds from the abovementioned rights issue have been used for the brokerage and margin financing business, respectively. Approximately HK$16.2 million of the said proceeds has been used as working capital of the Group.

Owing to the disposal of a subsidiary in November 2015, which is engaged in personal loan business, an amount of approximately HK$80.0 million intended to be applied to the money lending business has been reserved for the Group's property related lending business. Meanwhile, the Group is exploring various lending products to widen its product offering. As mentioned in the section headed "Use of Proceeds" in this announcement, such sum will be utilized to fund the Group's lending businesses.

INFORMATION ON THE UNDERWRITER

The Underwriter is an investment holding company, and is not engaged in underwriting of issue of securities in its ordinary course of business. Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, holds the entire beneficial interests in the Underwriter.

LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50% (either on its own or when aggregated with the rights issue completed in June 2015, which falls within the 12-month period immediately preceding the date of this announcement), the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19(6)(a) of the Listing Rules since there is no controlling shareholder. As such, Mr. Ng, Ms. Cheung and their respective associates will abstain from voting in the resolution to approve the Rights Issue (refer to the table in the section headed "Shareholding Structure of the Company" for the Shares held by such Directors directly/ indirectly) in the EGM.

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company under the Listing Rules. However, the issue of Rights Shares to the Underwriter is fully exempt under Rule 14A.92(2) of the Listing Rules as there is arrangement for the Qualifying Shareholders to apply for the excess Rights Shares in compliance with Rule 7.21(1) of the Listing Rules. Notwithstanding the above, the payment of underwriting commission, which exceeds HK$3.0 million, to the Underwriter is subject to the announcement and reporting requirements but exempt from the Independent Shareholders' approval requirement under

Rule 14A.76 of the Listing Rules as the relevant percentage ratio (other than the profits ratio) as defined in the Listing Rules is more than 0.1% but less than 5%. Despite the aforesaid exemptions under Chapter 14A of the Listing Rules, the Underwriting Agreement is subject to Independent Shareholders' approval under Rule 7.19(9) of the Listing Rules as the Rights Issue is conditional on approval by the Shareholders under Rule 7.19(6)(a) of the Listing Rules (refer to the preceding paragraph).

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the beneficial owner of the entire interests in the Underwriter, is interested in 2,032,071,156 Shares, representing approximately 26.94% of the total number of issued Shares. Also, Ms. Cheung, a party acting in concert with the Underwriter, owns 307,507,789 Shares as at the date of this announcement, representing approximately 4.08% of the Shares currently in issue. Ms. Jessica Ng, the daughter of Mr. Ng, 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. As at the date of this announcement, Ms. Jessica Ng does not hold any Share and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 2,339,578,945 Shares in aggregate, representing approximately 31.02% of the Shares currently in issue (refer to the section headed "Shareholding Structure of the Company" in this announcement for details).

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up a maximum of 5,202,547,805 Rights Shares that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue.

If the Underwriter takes up the maximum possible number of excess Rights Shares not taken up by the Qualifying Shareholders as referred to in the preceding paragraph in full, it may result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and Ms. Cheung) in the Company from approximately 31.02% of the existing issued share capital of the Company to approximately 65.51% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. As the Underwriter (which does not hold any Share as at the date of this announcement) and parties acting in concert with it, currently as at the date of this announcement hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively (refer to the section headed "Shareholding Structure of the Company" in this announcement for details), if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it 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.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares. Save for the normal interest in the abovementioned 1,650,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the independent financial adviser, Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director has no involvement in the aforesaid transactions. Thus, he is not required to abstain from voting on the resolutions approving the Rights Issue, the Underwriting Agreement and Whitewash Waiver at the EGM and is a member of the Independent Board Committee.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

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 the Underwriter and parties acting in concert with it for the six months' period immediately prior to the date of this announcement.

As at the date of this announcement, the Underwriter and parties acting in concert with it are interested in 2,339,578,945 Shares (or approximately 31.02% of the issued share capital of the Company). Save as disclosed, the Underwriter and parties acting in concert with it:

(a) do 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) have not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Whitewash Waiver; and

(c) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the transactions contemplated under the Underwriting Agreement (including the Irrevocable Undertakings), there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company which may be material to the Underwriting Agreement, the Whitewash Waiver and/or the Rights Issue.

There was no agreements or arrangements relating to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue, other than those set out in the sub-section headed "Conditions of the Rights Issue" under the section headed "The Underwriting Agreement" in this announcement to which the Underwriter is a party.

EGM

The register of members of the Company will be closed from Tuesday, 24 May 2016 to Monday, 30 May 2016 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement and (iii) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, Underwriting Agreement and the Whitewash Waiver at the EGM.

In accordance with the Listing Rules and the Takeovers Code, (i) the Underwriter and its respective associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (including, among others, Mr. Ng, Ms. Cheung and Ms. Jessica Ng but excluding members of the Independent Board Committee) and chief executive of the Company and their respective associates and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the transactions contemplated under the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM. As explained in the section headed "Takeovers Code Implications and Application for Whitewash Waiver", Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director deemed to be interested in 1,650,000 Shares, is not required to abstain from voting on the relevant resolutions at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be established to provide recommendation to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and an announcement will be made upon its appointment.

A circular containing, among others, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders on or before 11 May 2016.

Subject to, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver being approved at the EGM, the Prospectus Documents or the Prospectus, whichever being appropriate, will be dispatched to the Qualifying Shareholders and, for information only, the Non-qualifying Shareholders in due course.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

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 (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 1 June 2016. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 15 June 2016 to Wednesday, 22 June 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of giving a recommendation to the Independent Shareholders as to whether the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable and as to voting after taking into account the advice of the independent financial adviser
"Independent Shareholders"	the Shareholders other than: (i) the Directors (excluding members of the Independent Board Committee), the chief executive of the Company and their respective associates; and (ii) the Underwriter and parties acting in concert with it and any Shareholders who are involved in, or interested in, or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
"Independent Third Party(ies)"	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
"Irrevocable Undertakings"	the irrevocable undertakings referred to in the sub-section headed "The Irrevocable Undertakings" under the section headed "The Underwriting Agreement" dated 20 April 2016 executed by each of Mr. Ng, Ms. Cheung, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited in favour of the Company and the Underwriter
"Last Trading Day"	19 April 2016, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
"Latest Time for Acceptance"	4:00 p.m. on Monday, 27 June 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
"Latest Time for Termination"	5:00 p.m. on Tuesday, 28 June 2016, being the next Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ng"	Mr. Ng Hung Sang, the Chairman, an executive Director and Substantial Shareholder of the Company
"Ms. Cheung"	Ms. Cheung Choi Ngor, an executive Director, the vice chairman of the Company and a director of the Underwriter
"Ms. Jessica Ng"	Ms. Ng Yuk Mui Jessica, the executive vice chairman of the Company, an executive Director and the daughter of Mr. Ng
"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Overseas Shareholder(s)"	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Posting Date"	13 June 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
"PRC"	the People's Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
"Prospectus"	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
"Record Date"	10 June 2016 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue

"Registrar"	Union Registrars Limited, the share registrar of the Company, at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
"Rights Issue"	the proposed issue of the Rights Shares by way of rights on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
"Rights Share(s)"	7,542,126,750 shares in the Company proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the issued and unissued share capital of the Company
"Share Options"	the share options granted by the Company pursuant to the share option scheme adopted on 5 June 2012 which give holders thereof the rights to subscribe the Shares at the exercise price of HK$0.202 per Share
"Shareholder(s)"	the holder(s) of the issued Shares
"Specified Event"	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.066 per Rights Share
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriter"	Uni-spark Investments Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Mr. Ng
"Underwriting Agreement"	the underwriting agreement entered into between the Company and the Underwriter on 20 April 2016 in relation to the underwriting arrangement in respect of the Rights Issue

"Underwritten Shares"	5,202,547,805 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
"%"	per cent

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

Hong Kong, 20 April 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.

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 *(Note 1)*	588,150,756	*7.80*	1,176,301,512	*7.80*	1,176,301,512	*7.80*
Parkfield Holdings Limited *(Note 1)*	1,115,592,000	*14.79*	2,231,184,000	*14.79*	2,231,184,000	*14.79*
Ronastar Investments Limited *(Note 1)*	49,996,800	*0.66*	99,993,600	*0.66*	99,993,600	*0.66*
Mr. Ng *(Notes 1 and 2)*	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	2,032,071,156	*26.94*	4,064,142,312	*26.94*	9,266,690,117	*61.43*
Ms. Cheung Choi Ngor *(Notes 2 and 4)*	307,507,789	*4.08*	615,015,578	*4.08*	615,015,578	*4.08*
Mr. Gorges *(Note 4)*	125,000,000	*1.66*	250,000,000	*1.66*	125,000,000	*0.83*
Mr. Paul Ng *(Note 5)*	292,500,000	*3.88*	585,000,000	*3.88*	292,500,000	*1.94*
Sub-total of the Underwriter and parties acting in concert with it	2,757,078,945	*36.56*	5,514,157,890	*36.56*	10,299,205,695	*68.28*
Hon. Raymond Arthur William Sears, Q.C. *(Notes 2 and 3)*	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)	4,783,397,805	*63.42*	9,566,795,610	*63.42*	4,783,397,805	*31.71*
Total	7,542,126,750	*100.00*	15,084,253,500	*100.00*	15,084,253,500	*100.00*

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.

DEED OF IRREVOCABLE UNDERTAKINGS

Date: 31 MAY 2016

To: The board of directors (the "**Board**")
South China Financial Holdings Limited (the "**Company**")

Dear Sirs,

Proposed Rights Issue of 7,542,126,750 shares in the Company (the "Shares") at HK$0.066 per Share payable in full on acceptance

1. I, the undersigned, the holder of 7,500,000 share options granted to me on 9 June 2015 under the share option scheme of the Company adopted on 5 June 2012 (the "**Options**"). According to the acceptance letter regarding the Options dated 9 June 2015, one-third of the Options (the "**Exercisable Options**") are exercisable during the period from 9 June 2016 to 8 June 2018 (the "**Exercise Period**"). Upon full exercise of the Exercisable Options, a total of 2,500,000 Shares will fall to be issued to me. The remaining two-third of the Options (i.e. the remaining 5,000,000 share options as referred to in the above) are exercisable during the period from 9 June 2017 to 8 June 2020.

2. Save and except for the Options as referred to in paragraph 1 above, I do not hold any shares or other relevant securities (as defined in Note 4 to Rule 22 of the Hong Kong Code on Takeovers and Mergers) of the Company as at the date of this undertaking.

3. I refer to:

   (a) the proposed offer by the Company to the holders of the Shares, whose names appear in the register of members of the Company on 20 April 2016 or such other date as may be agreed between the Company and Uni-spark Investments Limited, being the date for determining the entitlements of the holders of Shares to participate in the Rights Issue, other than those overseas holders of the Shares whom the directors of the Company, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares (as defined below) to such holders of Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, of an aggregate of 7,542,126,750 new Shares (the "**Rights Shares**") for subscription by way of rights (the "**Rights Issue**") on the basis of one new Share for every one Share held at a price of HK$0.066 per Share substantially upon the terms and subject to the conditions set out in the announcements of the Company dated 20 April 2016 and 10 May 2016 (the "**Announcements**") appended hereto (see "**Annex**"); and

(b) the agreement entered into between the Company and Uni-spark Investments Limited dated 20 April 2016 (the "**Underwriting Agreement**") whereby Uni-spark Investments Limited has agreed to underwrite certain Rights Shares.

4. I hereby irrevocably and unconditionally undertake, represent and warrant to the Company as follows:

   (a) I will not exercise any of the Exercisable Options for the period from the date of this undertaking or the commencement of the Exercise Period (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue.

   (b) I have full power and authority and the right (free from any legal or other restrictions), and will at all times continue to have all relevant power and authority and the right, to enter into or perform my obligations under this undertaking in accordance with its terms.

5. I consent to the issue of announcement(s), circular and other relevant document(s) with references to me and/or to this undertaking as the Company may reasonably require in order to comply with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Hong Kong Code on Takeovers and Mergers, and other applicable rules, laws and regulations.

6. This undertaking shall be binding upon my successors and/or personal representatives.

7. This undertaking shall be governed by and construed in accordance with Hong Kong law. I hereby irrevocably submit to the exclusive jurisdiction of the Hong Kong courts.

8. I intend this document to be a deed and execute and deliver it as a deed.

Signed, Sealed and Delivered)
by Yau Man Yuk)
in the presence of:)

TING MEI FANG

Annex
The Announcements

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.

SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) CONNECTED TRANSACTION IN RESPECT OF UNDERWRITING COMMISSION

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date by issuing 7,542,126,750 Rights Shares at the Subscription Price of HK$0.066 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The estimated gross proceeds and net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) amount to approximately HK$497.8 million and HK$489.3 million, respectively. The Company intends to apply the net proceeds from the Rights Issue to expand the lending (including but not limited to margin financing, money lending, structured financing and other financing services), placing, underwriting and brokerage businesses and enter into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in mainland China, and to retain the amount which has not been so utilized as general working capital to support the operations of the Group, including but not limited to the possible repayment of bank borrowings.

Irrevocable Undertakings and the Underwriting Agreement

As at the date of this announcement, Mr. Ng, together with his associates, and Ms. Cheung hold 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng, his associates and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 2,032,071,156 (in aggregate) and 307,507,789 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue.

On 20 April 2016, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter (in addition to the obligations of Mr. Ng, his associates and the parties acting in concert with any of them under the Irrevocable Undertaking) has conditionally agreed to fully underwrite 5,202,547,805 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in this announcement.

Listing Rules Implications

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50% (either on its own or when aggregated with the rights issue completed in June 2015, which falls within the 12-month period immediately preceding the date of this announcement), the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19(6)(a) of the Listing Rules since there is no controlling shareholder. As such, Mr. Ng and Ms. Cheung, their associates and parties acting in concert with any of them will abstain from voting in the resolution to approve the Rights Issue at the EGM.

APPLICATION FOR WHITEWASH WAIVER

If the Underwriter takes up the 5,202,547,805 Rights Shares referred to in the paragraphs headed "Irrevocable Undertakings and the Underwriting Agreement" in the above, being the maximum possible number of excess Rights Shares, in full, it may result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and Ms. Cheung) from approximately 31.02% of the existing issued share capital of the Company to approximately 65.51% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. Accordingly, the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and Ms. Cheung) would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it 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.

CONNECTED TRANSACTION

As at the date of this announcement, Mr. Ng, the Substantial Shareholder and an executive Director of the Company and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules. However, the issue of Rights Shares to the Underwriter is fully exempted under Rule 14A.92(2) of the Listing Rules as there is arrangement for the Qualifying Shareholders to apply for the excess Rights Shares in compliance with Rule 7.21(1) of the Listing Rules. Notwithstanding the above, the payment of underwriting commission, which exceeds HK$3.0 million, to the Underwriter is subject to the announcement and reporting requirements but exempted from the Independent Shareholders' approval requirement under Rule 14A.76 of the Listing Rules as the relevant percentage ratio (other than the profits ratio) as defined in the Listing Rules is more than 0.1% but less than 5%. Despite the aforesaid exemptions under Chapter 14A of the Listing Rules, the Underwriting Agreement is subject to Independent Shareholders' approval under Rule 7.19(9) as the Rights Issue is conditional on approval by the Shareholders under Rule 7.19(6)(a) (refer to the paragraph headed "Listing Rules Implications" for details).

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be established to provide recommendations to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and an announcement will be made upon its appointment.

A circular containing, among others, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders in accordance with the Takeovers Code on or before 11 May 2016.

Subject to, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver being approved at the EGM, the Prospectus Documents or the Prospectus, whichever being appropriate, will be dispatched to the Qualifying Shareholders and, for information only, the Non-qualifying Shareholders in due course.

WARNING OF THE RISKS OF DEALING IN THE SHARES

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 (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "the Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK$497.8 million (before expenses) on the basis of one (1) Rights Share for every one (1) Share held on the Record Date by issuing 7,542,126,750 Rights Shares at the Subscription Price of HK$0.066 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 20 April 2016 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK$0.066 per Rights Share
Number of Shares in issue as at the date of this announcement	:	7,542,126,750 Shares
Number of Rights Shares	:	7,542,126,750 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	15,084,253,500 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue
Amount to be raised	:	Approximately HK$497.8 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the date of this announcement, the Company has 45,000,000 outstanding Share Options which will vest in the period from 9 June 2016 to 8 June 2020. Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 45,000,000 Shares (which entitle to 45,000,000 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the date of this announcement to the Record Date.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the date of this announcement.

The 7,542,126,750 Rights Shares represents 100.00% of the Company's issued share capital as at the date of this announcement and 50.00% of the Company's issued share capital as enlarged by the Rights Issue immediately after the completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue.

Fund raising methods comparison

The Board has considered other alternative means of fund raising, such as debt financing/bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company due to the fact that (i) the commercial banks are not willing to finance the proposed business plans set out in the section headed "Reasons for the Rights Issue" in this announcement, including but not limited to margin financing, money lending, structured financing and other financing services and/or greenfield projects; and (ii) other than the collaterals for the existing banking facilities, the Group do not have any other significant asset as collaterals. Also, the Board does not consider debt financing to be desirable at this stage as the expected finance costs for such substantial sum are high and additional borrowings will deteriorate the gearing position of the Group. Placing of new Shares is not adopted as it does not allow the Qualifying Shareholders the rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain their proportionate interests in the Company.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase its interests in the shareholding of the Company by (i) acquiring additional rights entitlement in the open market (subject to the availability); and/or (ii) applying for excess Rights Shares or (b) reduce its interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Friday, 10 June 2016.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Thursday, 2 June 2016.

Closure of register of members

The register of members of the Company will be closed from Friday, 3 June 2016 to Friday, 10 June 2016 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders. As at the date of this announcement, there were three Overseas Shareholders.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Wednesday, 15 June 2016 to Wednesday, 22 June 2016 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Subscription price

The Subscription Price for the Rights Shares is HK$0.066 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(a) a discount of approximately 58.23% to the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 41.07% to the theoretical ex-rights price of approximately HK$0.112 per Share based on the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 52.38% to the average of the closing prices of approximately HK$0.139 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 38.36% to the average of the closing prices of approximately HK$0.107 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and

(e) a discount of approximately 21.32% to the average of the closing prices of approximately HK$0.084 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, the following:

(i) the historical closing price of the Shares was on an descending trend since 1 January 2016 up to 18 February 2016, and fluctuated between HK$0.06 per Share and HK$0.08 per Share with an average price of approximately HK$0.064 for such period;

(ii) the recent upward trend of the prevailing market prices of the Shares from 18 February 2016 to the Last Trading Day from the closing price of HK$0.062 per Share to the closing price of HK$0.158 per Share, represented an increase of approximately 154.84%;

(iii) the Company recorded a loss of approximately HK$14.9 million for the financial year ended 31 December 2015 and had net current asset of approximately HK$434.4 million as at 31 December 2015. The expected amount to be raised by the Rights Issue represents approximately 74.18% of the Company's equity as at 31 December 2015 and approximately 41.77% of the Company's market capitalization as at the Last Trading Day;

(iv) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issues" below;

(v) as disclosed in the announcement of the Company in respect of the rights issue completed in June 2015 dated 30 April 2015, the theoretical ex-rights price of the Shares amounts to HK$0.149 per Share. As quoted on the Stock Exchange on the Last Trading Day, the price of the Share amounted to HK$0.158 each, which is approximately 6.04% above the aforesaid theoretical ex-rights price. However, the average closing prices of the Shares for the 30 and 90 consecutive trading days up to and including the Last Trading Day (refer to (d) and (e) above) fell below the abovementioned theoretical ex-rights price by approximately 28.14% and 43.70%, respectively. As such, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) considered that the Subscription Price, which represents a discount of approximately 41.07% to the theoretical ex-rights price (refer to (b) above), was set at a reasonable amount to attract the shareholders to participate in the Rights Issue taking into account the volatile market in the past several months before the date of this announcement. The rights issue completed in June 2015 was over-subscribed. In view of the positive response from the Shareholders to the abovementioned rights issue and the

favourable Subscription Price, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) expected that the Rights Issue will unlikely result in a significant dilution to the Qualifying Shareholders on an overall basis;

(vi) in view of the uncertainties and the recent volatility in the Hong Kong stock market stemming from fluctuating market sentiment, and the possible devaluation trend of Asian currencies given the anticipation of the future fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) believe that it would be difficult to attract the Qualifying Shareholders to make further investment in the Company through the Rights Issue if the Subscription Price is not set at a discount to the recent closing prices of the Shares; and

(vii) although the Rights Issue has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent value and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil paid rights. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil paid rights in the market and/or through an EAF; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares.

In dollar terms, if the existing shareholders elect not to participate in the Rights Issue, there will be an approximately 29.11% dilution in value of shareholding in the Company from the closing price of HK$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day to the theoretical ex-rights price of approximately HK$0.112 per Share in the Company based on the aforesaid closing price of HK$0.158 per Share.

Mr. Ng, the Chairman of the Board, an executive Director and the beneficial owner of the entire interests in the Underwriter, has abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver in view of his material interests therein. Ms. Cheung has also abstained from voting on such Board resolutions given the common directorship in the Company and the Underwriter and, hence the deemed interests in the proposed transactions. Ms. Jessica Ng, the daughter of Mr. Ng, has abstained from voting on the said Board resolutions voluntarily on the ground of good corporate governance. Notwithstanding the above, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms and structure of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), the subscription ratio and the potential dilution effect on the shareholding interests of the Qualifying Shareholders (which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares), are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee which will form and express its view on the proposed transactions after having been advised by the independent financial adviser and make recommendations to the Independent Shareholders accordingly) voted for the Board resolutions approving the Rights Issue.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares. Save for the normal interest in the abovementioned 1,650,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the independent financial adviser, Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director has no involvement in the aforesaid transactions.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK$0.065.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Wednesday, 6 July 2016 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on Wednesday, 6 July 2016 by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the sum payable for the excess Rights Shares being applied for with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 27 June 2016.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

THE UNDERWRITING AGREEMENT

On 20 April 2016, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by certain Shareholders and Directors pursuant to the Irrevocable Undertakings.

Agreement date	:	20 April 2016
Underwriter	:	Uni-spark Investments Limited The Underwriter is wholly-owned by Mr. Ng, the Chairman of the Board and an executive Director, beneficially.
Total number of Rights Shares underwritten by the Underwriter	:	5,202,547,805 Rights Shares (having taken into account the Irrevocable Undertakings and assuming no new Share being issued and no Share being repurchased on or before the Record Date)
Commission	:	The Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions.

As mentioned in the sub-section headed "Subscription Price" in the section headed "Proposed Rights Issue" in this announcement, Mr. Ng, Ms. Cheung and Ms. Jessica Ng have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Notwithstanding the above, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms of the Underwriting Agreement, including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee which will form and express its view on the proposed transactions after having been advised by the independent financial adviser and make recommendations to the Independent Shareholders accordingly) voted for the Board

resolutions approving the Underwriting Agreement and the Whitewash Waiver (refer to the sections headed "Shareholding Structure of the Company" and "Takeovers Code Implications and Application for Whitewash Waiver" in this announcement for details).

The Company had not approached any other independent underwriters to consider underwriting the Rights Issue because the Underwriter is indirectly wholly owned by Mr. Ng, who is also the Substantial Shareholder of the Company with sufficient financial backing and a track record of completing capital market deals successfully with the Company. The Company is also mindful of the laws and regulations in Hong Kong pertaining to the need to keep inside information confidential pending an announcement and not putting any person in a privileged dealing position. As the Rights Issue is a piece of highly material and price sensitive information, the Company did not consider approaching multiple potential underwriters with whom it does not have prior business relationship to be conducive to compliance with the relevant laws and regulations.

It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. Uni-spark Investments Limited's role as the Underwriter and the Irrevocable Undertakings given by Mr. Ng and his associates signify strong support from the Substantial Shareholder to the Group and his confidence in the prospects and development of the Group.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimizing dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the prevailing share price of the Company; (ii) the current uncertainties and low market sentiment in the Hong Kong stock market; (iii) the Subscription Price and ratio as well as the acceptance rate of the rights issue completed in June 2015; (iv) the latest business performance and financial position of the Group and (v) the funding and capital needs of the Company. Given the over-subscription of the rights issue completed in June 2015, the maximum dilution to all Qualifying Shareholders as a result of nil acceptance of the Rights Shares by them would unlikely occur.

Apart from the aforesaid factors, given that the maximum possible underwriting exposure of about HK$343.4 million is quite a substantial amount taking into account the Company's financial position, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that selecting a company wholly owned by Mr. Ng, who is willing to support the continuing growth of the Group, as the Underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Irrevocable Undertakings

As at the date of this announcement, Mr. Ng, together with his associates, and Ms. Cheung hold in aggregate 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited and Ronaster Investments Limited (refer to the section headed "Shareholding Structure of the Company" for details), and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 2,032,071,156 in aggregate and 307,507,789 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or lapse of the Rights Issue.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) one or more of the following events or matters shall occur, arise, exist, or come into effect:

(i) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;

(ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;

(iii) any material adverse change in the business or in the financial or trading position of any member of the Group after the signing of the Underwriting Agreement;

(iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;

(v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

(vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant

to any member of the Group and a change in currency conditions for the purpose of the clause in the Underwriting Agreement governing the termination of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

(vii) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company,

which event or events:

(a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;

(b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or

(c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue

in the reasonable opinion of the Underwriter;

(B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or

(C) any Specified Event comes to the knowledge of the Underwriter,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing to the Company served prior to the Latest Time for Termination.

Upon giving of notice pursuant to the Underwriting Agreement, the obligations of the Underwriter and the Company under the Underwriting Agreement shall terminate forthwith provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

(a) the Independent Shareholders passing the ordinary resolutions at the EGM to approve (i) the Rights Issue; (ii) the Underwriting Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver (refer to the sections headed "Listing Rules Implications" and "Takeover Code Implications and Application for Whitewash Waiver" for further information);

(b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

(c) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;

(d) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;

(e) each of the relevant Shareholders and Directors complying with his/her/its obligations under the Irrevocable Undertakings;

(f) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination; and

(g) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination.

The conditions precedent set out in paragraphs (a) to (f) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (g) in whole or in part by written notice to the Company.

If the conditions precedent set out in above paragraphs are not satisfied, and/or remained un-fulfilled at the respective time and dates specified therein (or such other time as may be extended by the Underwriter (as permitted under the relevant legal and regulatory requirements)), the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Irrevocable Undertakings shall lapse upon the termination of the Underwriting Agreement.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2016
Announcement of the Rights Issue	**Wednesday, 20 April**
Expected despatch date of circular with notice and form of proxy for the EGM	Wednesday, 11 May
Latest time for lodging transfer of shares to qualify for attendance and voting at EGM	4:30 p.m. on Monday, 23 May
Closure of register of members of the Company for attending the EGM (both dates inclusive)	Tuesday, 24 May to Monday, 30 May
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Saturday, 28 May
Expected date and time of the EGM	**11:00 a.m. on Monday, 30 May**
Announcement of poll results of EGM	Monday, 30 May
Last day of dealings in Shares on a cum-rights basis	Tuesday, 31 May
First day of dealings in Shares on an ex-rights basis	Wednesday, 1 June
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 2 June
Closure of register of members of the Company for the rights issue (both dates inclusive)	Friday, 3 June to Friday, 10 June
Record Date and time for determining entitlements to the Rights Issue	4:30 p.m. on Friday, 10 June
Register of members of the Company re-opens	Monday, 13 June

Event	2016
Despatch of Prospectus Documents	Monday, 13 June
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Wednesday, 15 June
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Friday, 17 June
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 22 June
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	**4:00 p.m. on Monday, 27 June**
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	5:00 p.m. on Tuesday, 28 June
Announcement of results of the Rights Issue	Tuesday, 5 July
Refund cheques, if any, to be despatched (if the Rights Issue is terminated and in respect of unsuccessful or partially successful application for excess Rights Shares) on or before	Wednesday, 6 July
Certificates for fully paid Rights Shares to be despatched on or before	Wednesday, 6 July
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Thursday, 7 July

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 7,542,126,750 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to the completion of the Rights Issue save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of 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 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 *(Note 1)*	588,150,756	7.80	1,176,301,512	7.80	1,176,301,512	7.80
Parkfield Holdings Limited *(Note 1)*	1,115,592,000	14.79	2,231,184,000	14.79	2,231,184,000	14.79
Ronastar Investments Limited *(Note 1)*	49,996,800	0.66	99,993,600	0.66	99,993,600	0.66
Mr. Ng *(Notes 1 and 2)*	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	2,032,071,156	26.94	4,064,142,312	26.94	9,266,690,117	61.43
Ms. Cheung Choi Ngor *(Notes 2 and 4)*	307,507,789	4.08	615,015,578	4.08	615,015,578	4.08
Sub-total of the Underwriter and parties acting in concert with it *(Note 4)*	2,339,578,945	31.02	4,679,157,890	31.02	9,881,705,695	65.51
Hon. Raymond Arthur William Sears, Q.C. *(Notes 2 and 3)*	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 Directors)	5,200,897,805	68.96	10,401,795,610	68.96	5,200,897,805	34.48
Total	7,542,126,750	100.00	15,084,253,500	100.00	15,084,253,500	100.00

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 a director of the Underwriter, Ms. Cheung is also a party acting in concert with it.

REASONS FOR THE RIGHTS ISSUE

The principal activity of the Company is investment holding. The principal activities of the Group's subsidiaries consist of securities, commodities, bullion and forex broking and trading, margin financing, money lending, provision of corporate advisory, underwriting and wealth management services, property investment and investment holding.

As a result of continued expansion of commercial banks and financial institutions into brokerage and related businesses, the numerous acquisitions of local securities firms by Chinese and overseas investors and the increasing market share dominated by foreign owned banks and securities firms in Hong Kong financial markets, the Board believes that it is a requisite of local brokerage firms, like the Company, to increase its capital base for expanding its business operation and scale to maintain its market competitiveness. The Company will use its best effort to pursue its strategic goals and to take advantage of business opportunities as China continues to develop its capital markets to make them more open. To sharpen its competitiveness to meet the challenges ahead, it is necessary for the Company to increase its capital base to further develop its business, in particular:

- expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services. The expansion of lending business depends on the availability of the Group's capital resources and would enhance the Group's ability to broaden its client base as well as increase interest income. A larger amount of available funds would allow us to offer financing services to more clients and/or meet the needs of the clients (existing or prospective) who want higher credit limits better;

- entering into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in China. As at the date of this announcement, the Company had not identified any specific partner in the mainland. Also, no specific timeline has been set for such cooperative arrangements which may involve investments in significant sum. In the absence of a strong capital base and readily available funds for such investment, the Company may not be able to grasp the opportunities in this respect;

- expanding the placing and underwriting business. The number of placing and underwriting transactions and the size of placing and underwriting transactions that the Group may undertake depends on the availability of its capital resources. The Company intends to further expand the placing and underwriting business by participating in more placing and underwriting transactions and placing and underwriting transactions of larger size; and

- expanding the brokerage business so as to tap business opportunities arising from the Stock Connects among Hong Kong, Shanghai, Shenzhen and London through upgrading and improving the Group's information and technology infrastructure and trading platform, recruiting additional staff for sales and marketing team in Hong Kong, mainland China as well as the United Kingdom.

In view of the aforesaid proposed business plan, taking into account the Group's latest financial position, the Company has imminent fund raising needs. Certain activities set out in the abovementioned proposed plan are regulated activities under the SFC carried out by the Group's subsidiaries which are SFC licensed corporations that are required to comply with the financial resource requirement (i.e. minimum capital requirement) for further business expansion and also is restricted to obtain certain amount of bank borrowings and/or debt financing in accordance with the Securities and Futures Ordinance. Having considered these factors, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the Rights Issue will increase the capital base of the Group as well as provide additional funds at a reasonable cost to support the Group's continuing development and business growth and also give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company. Hence, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that fund raising through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the Rights Issue is in the best interest of the Company and its Shareholders as a whole. The Rights Issue will not only strengthen the Group's capital base but will also allow all Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and participate in the development of the Group through the Rights Issue.

The gross proceeds from the Rights Issue amounts to approximately HK$497.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK$489.3 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue together with the part of the proceeds from the rights issue completed in June 2015 intended to be applied for the money lending business, which remained un-utilized, of approximately HK$80.0 million (refer to the section

headed "Fund Raising Activities Involving Issue of Securities in the Past 12 Months" in this announcement for details) totalling approximately HK$569.3 million, for its business plan stated in the section headed "Reasons for the Rights Issues" as follows:

- approximately HK$263.0 million for expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services based on the estimated amount of capital resources required;

- approximately HK$280.0 million for establishing a securities joint venture in China based on the relevant minimum registered capital requirement and the shareholding of the joint venture which the Group targets to own;

- approximately HK$20.0 million for expanding the placing and underwriting business based on the estimated amount of capital resources required;

- the remaining sum of approximately HK$6.3 million and for developing the brokerage business and as general working capital of the Group.

To the extent that the proceeds are not immediately required, the Group will seek potential business opportunities in the securities and financial markets or may repay its bank borrowings so as to maximize the efficiency and return of such idle funds, broaden the income source and improve the financial position of the Group.

As at the date of this announcement, based on the information available to the Board and the existing business plan of the Group, the Board's latest estimate on the Company's expected funding needs for the next 12 months would be approximately the sum of net proceeds from the Rights Issue and the balance of the proceeds from the rights issue completed in June 2015, which remained un-utilized, and in arriving at such estimation, the Board based on the assumption that the Group will be able to implement its business plans as scheduled and had taken into account the expected amount to be provided for funding the Group's lending, placing, underwriting and brokerage businesses and joint venture investment in PRC given the current market conditions.

Future fund raising exercises

As at the date of this announcement, save for the Rights Issue, the Company has not identified any concrete fund raising plan. The proceeds from the Rights Issue may not satisfy the upcoming financing needs in full if there is any change of the Group's current circumstances and business plan or if there shall arise any other potential business opportunities.

Hence, the Board does not rule out the possibility that the Company will conduct further debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company raised HK$249.4 million (after deduction of costs and expenses incurred) in the rights issue completed in June 2015. Approximately HK$58.6 million and HK$94.6 million of the proceeds from the abovementioned rights issue have been used for the brokerage and margin financing business, respectively. Approximately HK$16.2 million of the said proceeds has been used as working capital of the Group.

Owing to the disposal of a subsidiary in November 2015, which is engaged in personal loan business, an amount of approximately HK$80.0 million intended to be applied to the money lending business has been reserved for the Group's property related lending business. Meanwhile, the Group is exploring various lending products to widen its product offering. As mentioned in the section headed "Use of Proceeds" in this announcement, such sum will be utilized to fund the Group's lending businesses.

INFORMATION ON THE UNDERWRITER

The Underwriter is an investment holding company, and is not engaged in underwriting of issue of securities in its ordinary course of business. Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, holds the entire beneficial interests in the Underwriter.

LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50% (either on its own or when aggregated with the rights issue completed in June 2015, which falls within the 12-month period immediately preceding the date of this announcement), the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19(6)(a) of the Listing Rules since there is no controlling shareholder. As such, Mr. Ng, Ms. Cheung and their respective associates will abstain from voting in the resolution to approve the Rights Issue (refer to the table in the section headed "Shareholding Structure of the Company" for the Shares held by such Directors directly/ indirectly) in the EGM.

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company under the Listing Rules. However, the issue of Rights Shares to the Underwriter is fully exempt under Rule 14A.92(2) of the Listing Rules as there is arrangement for the Qualifying Shareholders to apply for the excess Rights Shares in compliance with Rule 7.21(1) of the Listing Rules. Notwithstanding the above, the payment of underwriting commission, which exceeds HK$3.0 million, to the Underwriter is subject to the announcement and reporting requirements but exempt from the Independent Shareholders' approval requirement under

Rule 14A.76 of the Listing Rules as the relevant percentage ratio (other than the profits ratio) as defined in the Listing Rules is more than 0.1% but less than 5%. Despite the aforesaid exemptions under Chapter 14A of the Listing Rules, the Underwriting Agreement is subject to Independent Shareholders' approval under Rule 7.19(9) of the Listing Rules as the Rights Issue is conditional on approval by the Shareholders under Rule 7.19(6)(a) of the Listing Rules (refer to the preceding paragraph).

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company, an executive Director and the beneficial owner of the entire interests in the Underwriter, is interested in 2,032,071,156 Shares, representing approximately 26.94% of the total number of issued Shares. Also, Ms. Cheung, a party acting in concert with the Underwriter, owns 307,507,789 Shares as at the date of this announcement, representing approximately 4.08% of the Shares currently in issue. Ms. Jessica Ng, the daughter of Mr. Ng, 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. As at the date of this announcement, Ms. Jessica Ng does not hold any Share and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 2,339,578,945 Shares in aggregate, representing approximately 31.02% of the Shares currently in issue (refer to the section headed "Shareholding Structure of the Company" in this announcement for details).

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up a maximum of 5,202,547,805 Rights Shares that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Underwriter and parties acting in concert with it who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue.

If the Underwriter takes up the maximum possible number of excess Rights Shares not taken up by the Qualifying Shareholders as referred to in the preceding paragraph in full, it may result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and Ms. Cheung) in the Company from approximately 31.02% of the existing issued share capital of the Company to approximately 65.51% of the then enlarged issued share capital of the Company immediately after the completion of the Rights Issue. As the Underwriter (which does not hold any Share as at the date of this announcement) and parties acting in concert with it, currently as at the date of this announcement hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively (refer to the section headed "Shareholding Structure of the Company" in this announcement for details), if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already held by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it 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.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares. Save for the normal interest in the abovementioned 1,650,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the independent financial adviser, Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director has no involvement in the aforesaid transactions. Thus, he is not required to abstain from voting on the resolutions approving the Rights Issue, the Underwriting Agreement and Whitewash Waiver at the EGM and is a member of the Independent Board Committee.

DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

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 the Underwriter and parties acting in concert with it for the six months' period immediately prior to the date of this announcement.

As at the date of this announcement, the Underwriter and parties acting in concert with it are interested in 2,339,578,945 Shares (or approximately 31.02% of the issued share capital of the Company). Save as disclosed, the Underwriter and parties acting in concert with it:

(a) do 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) have not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Whitewash Waiver; and

(c) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Save for the transactions contemplated under the Underwriting Agreement (including the Irrevocable Undertakings), there is no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Underwriter or the Company which may be material to the Underwriting Agreement, the Whitewash Waiver and/or the Rights Issue.

There was no agreements or arrangements relating to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Underwriting Agreement, the Whitewash Waiver and the Rights Issue, other than those set out in the sub-section headed "Conditions of the Rights Issue" under the section headed "The Underwriting Agreement" in this announcement to which the Underwriter is a party.

EGM

The register of members of the Company will be closed from Tuesday, 24 May 2016 to Monday, 30 May 2016 (both dates inclusive) for determining the entitlements to attend the EGM. No transfer of Shares will be registered during this period.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement and (iii) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, Underwriting Agreement and the Whitewash Waiver at the EGM.

In accordance with the Listing Rules and the Takeovers Code, (i) the Underwriter and its respective associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (including, among others, Mr. Ng, Ms. Cheung and Ms. Jessica Ng but excluding members of the Independent Board Committee) and chief executive of the Company and their respective associates and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the transactions contemplated under the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM. As explained in the section headed "Takeovers Code Implications and Application for Whitewash Waiver", Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director deemed to be interested in 1,650,000 Shares, is not required to abstain from voting on the relevant resolutions at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors will be established to provide recommendation to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. An independent financial adviser will be appointed with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and an announcement will be made upon its appointment.

A circular containing, among others, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders on or before 11 May 2016.

Subject to, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver being approved at the EGM, the Prospectus Documents or the Prospectus, whichever being appropriate, will be dispatched to the Qualifying Shareholders and, for information only, the Non-qualifying Shareholders in due course.

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

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 (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 1 June 2016. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 15 June 2016 to Wednesday, 22 June 2016 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Company"	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of giving a recommendation to the Independent Shareholders as to whether the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable and as to voting after taking into account the advice of the independent financial adviser
"Independent Shareholders"	the Shareholders other than: (i) the Directors (excluding members of the Independent Board Committee), the chief executive of the Company and their respective associates; and (ii) the Underwriter and parties acting in concert with it and any Shareholders who are involved in, or interested in, or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
"Independent Third Party(ies)"	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
"Irrevocable Undertakings"	the irrevocable undertakings referred to in the sub-section headed "The Irrevocable Undertakings" under the section headed "The Underwriting Agreement" dated 20 April 2016 executed by each of Mr. Ng, Ms. Cheung, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited in favour of the Company and the Underwriter
"Last Trading Day"	19 April 2016, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
"Latest Time for Acceptance"	4:00 p.m. on Monday, 27 June 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
"Latest Time for Termination"	5:00 p.m. on Tuesday, 28 June 2016, being the next Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Ng"	Mr. Ng Hung Sang, the Chairman, an executive Director and Substantial Shareholder of the Company
"Ms. Cheung"	Ms. Cheung Choi Ngor, an executive Director, the vice chairman of the Company and a director of the Underwriter
"Ms. Jessica Ng"	Ms. Ng Yuk Mui Jessica, the executive vice chairman of the Company, an executive Director and the daughter of Mr. Ng
"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Overseas Shareholder(s)"	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
"PAL(s)"	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
"Posting Date"	13 June 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
"PRC"	the People's Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this announcement
"Prospectus"	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
"Prospectus Documents"	the Prospectus, PAL and EAF
"Qualifying Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
"Record Date"	10 June 2016 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue

"Registrar"	Union Registrars Limited, the share registrar of the Company, at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
"Rights Issue"	the proposed issue of the Rights Shares by way of rights on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
"Rights Share(s)"	7,542,126,750 shares in the Company proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the issued and unissued share capital of the Company
"Share Options"	the share options granted by the Company pursuant to the share option scheme adopted on 5 June 2012 which give holders thereof the rights to subscribe the Shares at the exercise price of HK$0.202 per Share
"Shareholder(s)"	the holder(s) of the issued Shares
"Specified Event"	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.066 per Rights Share
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Underwriter"	Uni-spark Investments Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Mr. Ng
"Underwriting Agreement"	the underwriting agreement entered into between the Company and the Underwriter on 20 April 2016 in relation to the underwriting arrangement in respect of the Rights Issue

"Underwritten Shares"	5,202,547,805 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
"Whitewash Waiver"	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
"%"	per cent

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

Hong Kong, 20 April 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.

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 *(Note 1)*	588,150,756	*7.80*	1,176,301,512	*7.80*	1,176,301,512	*7.80*
Parkfield Holdings Limited *(Note 1)*	1,115,592,000	*14.79*	2,231,184,000	*14.79*	2,231,184,000	*14.79*
Ronastar Investments Limited *(Note 1)*	49,996,800	*0.66*	99,993,600	*0.66*	99,993,600	*0.66*
Mr. Ng *(Notes 1 and 2)*	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	2,032,071,156	*26.94*	4,064,142,312	*26.94*	9,266,690,117	*61.43*
Ms. Cheung Choi Ngor *(Notes 2 and 4)*	307,507,789	*4.08*	615,015,578	*4.08*	615,015,578	*4.08*
Mr. Gorges *(Note 4)*	125,000,000	*1.66*	250,000,000	*1.66*	125,000,000	*0.83*
Mr. Paul Ng *(Note 5)*	292,500,000	*3.88*	585,000,000	*3.88*	292,500,000	*1.94*
Sub-total of the Underwriter and parties acting in concert with it	2,757,078,945	*36.56*	5,514,157,890	*36.56*	10,299,205,695	*68.28*
Hon. Raymond Arthur William Sears, Q.C. *(Notes 2 and 3)*	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)	4,783,397,805	*63.42*	9,566,795,610	*63.42*	4,783,397,805	*31.71*
Total	7,542,126,750	*100.00*	15,084,253,500	*100.00*	15,084,253,500	*100.00*

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.