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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PERFECT RICHES LIMITED, SUPER BELLAX LTD., GREAT READY ASSETS LIMITED, JADE FOUNTAIN LIMITED AND SUPER GIANT LIMITED

Financial adviser to the Company



MAJOR AND CONNECTED TRANSACTION

On 31 March 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of the Target Companies at the Consideration, subject to adjustment.

LISTING RULES IMPLICATIONS

As the Agreement was entered into within 12 months after completion of the Previous Acquisition, both the agreement in respect of the Previous Acquisition and the Agreement were entered into between a member of the Group and the same connected person and/or his associates, the Acquisition and the Previous Acquisition are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As one of the applicable percentage ratios for the Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, held the entire interests in Vendor 1, Vendor 2 and Vendor 5 indirectly, and the entire interests in Vendor 3 and Vendor 4 directly. Each of the Vendors is an associate of Mr. Ng, and therefore, a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Acquisition at the EGM.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder.

A circular containing, among others, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) a letter 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 relation to the Agreement and the transactions contemplated thereunder; and (iv) the notice of EGM, will be despatched to the Shareholders on or about 26 April 2017.

INTRODUCTION

The Board announces that on 31 March 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire issued share capital of the Target Companies at the Consideration, subject to adjustment.

Details of the Agreement and the transactions contemplated thereunder are set out below:

THE AGREEMENT

Date	31 March 2017
Parties	(1) the Purchaser (as purchaser); (2) Vendor 1 (as vendor); (3) Vendor 2 (as vendor); (4) Vendor 3 (as vendor); (5) Vendor 4 (as vendor); and (6) Vendor 5 (as vendor).

As at the date of this announcement, Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, held the entire interests in Vendor 1, Vendor 2 and Vendor 5 indirectly and the entire interests in Vendor 3 and Vendor 4 directly.

Subject matter

Pursuant to the Agreement, the Purchaser agreed to acquire and the Vendors agreed to sell the entire issued share capital of the Target Companies, subject to the terms and conditions thereof.

Target Company 1, Target Company 2, Target Company 3, Target Company 4 and Target Company 5 were incorporated in BVI with limited liability, and were the direct wholly-owned subsidiaries of Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5, respectively, as at the date of this announcement.

Consideration and adjustment to the Consideration

The Consideration comprises Media Consideration and Giant Consideration which are subject to adjustments.

A. Media Consideration

Pursuant to Agreement, the Purchaser shall pay:

1. HK\$10,000,000 by 31 March 2017 as the deposit and part payment of the Media Consideration; and
2. HK\$5,000,000 by 31 May 2017 (or within two Business Days from the Completion Date, whichever is earlier) as the second payment of the Media Consideration.

The above, totaling HK\$15,000,000, shall be paid to South China Media Limited, the immediate holding company of Vendor 1, which was appointed by the Media Vendors as their collection agent under the Agreement for collection of the Media Consideration and the adjustment thereto as set out below (the “**Collection Agent**”).

The Media Vendors undertook jointly and severally that the combined consolidated net liabilities of Target Company 1, Target Company 2, Target Company 3, Target Company 4 and their subsidiaries (the “**Media Consolidated Net Liabilities**”) shall not exceed HK\$69,000,000 (the “**Undertaking Amount**”) immediately before Completion as at the Completion Date. Upon Completion, Target Company 1, Target Company 2, Target Company 3, Target Company 4 and their subsidiaries will become indirect wholly-owned subsidiaries of the Company and the assets, liabilities and results thereof will then be consolidated to the Group as enlarged by the Media Group. Accordingly, it was expected that, upon Completion, the enlarged Group will take up the Media Consolidated Net Liabilities of HK\$69,000,000 in its consolidated financial statements. The Media Consideration was determined with reference to, among others, one of the conditions precedent to Completion that the value of the Media Group to be assessed by the independent valuer appointed by the Company being

not less than HK\$84.0 million. Given the (a) cash consideration of HK\$15.0 million; and (b) aforesaid condition in respect of the valuation of the Media Group as agreed among the parties to the Agreement, the Media Vendors agreed to undertake that the Media Consolidated Net Liabilities shall not exceed HK\$69,000,000.

Adjustment to the Media Consideration

If:

- (a) the aggregate of the consolidated net assets/liabilities of the Media Group immediately before Completion as at the Completion Date as stated in the Media Completion Accounts results in combined consolidated net liabilities below HK\$69,000,000, the full amount of the difference between such combined consolidated net liabilities and the Undertaking Amount of HK\$69,000,000 (“**Media Combined Net Surplus**”) shall be payable by the Purchaser to Collection Agent (on a dollar-for-dollar basis), provided that the amount of the such difference exceeds HK\$100,000; or
- (b) the aggregate of the consolidated net assets/liabilities of the Media Group immediately before Completion as at the Completion Date as stated in the Media Completion Accounts results in a combined consolidated net liabilities in excess of HK\$69,000,000, the full amount of the difference between such combined consolidated net liabilities and the Undertaking Amount of HK\$69,000,000 (“**Media Combined Net Shortfall**”) shall be payable by Media Vendors, jointly and severally, to the Purchaser (on a dollar-for-dollar basis), provided that the amount of the such difference exceeds HK\$100,000.

B. Giant Consideration

The Giant Consideration of HK\$1.00 shall be paid by the Purchaser to the Collection Agent, which was so appointed by Vendor 5 under the Agreement, within two Business Days from the Completion Date.

Adjustment to the Giant Consideration:

If the consolidated net assets of the Super Giant Group immediately before Completion as at the Completion Date as stated in the Giant Completion Accounts falls below HK\$1.00, the full amount of such shortfall from consolidated net assets of HK\$1.00 (“**Giant Combined Net Shortfall**”) shall be payable by Vendor 5 to the Purchaser (on a dollar-for-dollar basis), provided that the said shortfall exceeds HK\$100,000. As such, Vendor 5 shall make good the full amount of such shortfall if the Super Giant Group records consolidated net liabilities of more than HK\$99,999 in the Giant Completion Accounts.

The Media Combined Net Surplus, the Media Combined Net Shortfall or the Giant Combined Net Shortfall (as the case may be) shall be settled by the Purchaser or the Vendors (as the case may be) in cash or by cashier order or by transferring the amount payable to a bank account designated by the Collection Agent or the Purchaser (as the case may be) or in other manners as agreed by the Vendors and the Purchaser within 15 Business Days from the delivery of the Completion Accounts from the Vendors to the Purchaser.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendors with reference to, among other things, (i) the growth potential and prospect of the Target Companies Group; and (ii) reasons and benefits for the Acquisition as described below. The Consideration will be funded by internal resources of the Group.

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled or waived (as the case may be):

- a. the passing of ordinary resolution(s) by the Independent Shareholders at the EGM in accordance with the Listing Rules to approve the Agreement and the transactions contemplated thereunder;
- b. completion of the reorganisation in accordance with the Agreement;
- c. if required, the Target Companies having obtained all necessary consents and approvals from the government, regulatory authorities or any third party(ies) for the change of beneficial ownership as contemplated under the Agreement;
- d. the Purchaser being satisfied with the results of the due diligence exercise of the Target Companies Group;
- e. the valuation of the Media Group to be appraised by an independent valuer appointed by the Company being not less than HK\$84,000,000 in aggregate; and
- f. settlement of all the loans owing by any member of the Target Companies Group to the holding companies of Vendor 1, Vendor 2, Vendor 4, Vendor 5 and their respective subsidiaries (save and except the members of the Target Companies Group) by any means, such as by cash, assignment, capitalisation, waiver or otherwise.

Save for the condition as stated in (a) above, the Purchaser may at its absolute discretion waive any of the above conditions. In the event that any of the above conditions precedent are not fulfilled or waived (as the case may be) at or before 5:30 p.m. on 29 September 2017 (or such later date as may be agreed by the parties in writing), the Agreement shall lapse and no party to the Agreement will have any further rights or obligations under the Agreement except in respect of the specific provisions as set out in the Agreement which will continue in full force and effect and no party to the Agreement shall have any claim against or liability to the other party, save for antecedent breaches of the Agreement.

Further, if at any time before Completion, any of the warranties of the Vendors are found to be incorrect, untrue, inaccurate or misleading or have not been fully carried out in any material respect, or in the event that any of the Vendors becoming unable or failing to do anything required under the Agreement to be done by it on or before the Completion Date, the Purchaser may rescind the Agreement and the Vendors shall fully indemnify the Purchaser in respect of all fees, costs and

expenses incurred by the Purchaser in connection with the negotiation, preparation, execution and rescission of the Agreement.

In the event of lapse of the Agreement or rescission of the Agreement by the Purchaser, the Vendors shall refund the Consideration received in full to the Purchaser within 10 Business Days from the date of lapse or rescission of the Agreement.

Completion

Completion shall take place on the Completion Date.

Undertakings

Non-competition and non-solicitation

Each of the Media Vendors undertakes that it will not, and will procure that their associate(s) and agent(s) (save and except the members of the Group) will not, at any time, either for itself/themselves or as agent of any person and other directly or indirectly:

- a. for a period of two years from the Completion Date, carry on, be engaged, concerned or interested in or in any way assist in any business in Hong Kong similar to or which competes with any principal business currently carried on by the members of the Media Group as at the date of the Agreement, namely the publication of printed magazines which are sold and circulated in Hong Kong (the “**Media Restricted Activity**”);
- b. for a period of two years from the Completion Date, be in competition with the Media Group in Media Restricted Activity, canvass or solicit or accept orders from or do business with any person with whom any member of the Media Group has done business with regarding the Media Restricted Activity during the twelve months preceding the date of the Agreement, or otherwise induce or endeavour to induce any such person to cease being a customer of any member of the Media Group regarding the Media Restricted Activity; and
- c. at any time after the date of the Agreement do or say anything which may be harmful to the reputation of any member of the Media Group.

Vendor 5 undertakes that it will not, and will procure that their associate(s) and agent(s) (save and except the members of the Group) will not, at any time, either for itself or as agent of any person and other directly or indirectly:

- a. for a period of two years from the Completion Date, carry on, be engaged, concerned or interested in or in any way assist in any business in Hong Kong similar to or which competes with any principal business currently carried on by the members of the Super Giant Group as at the date of the Agreement, namely the provision of information technology services in the PRC (the “**Giant Restricted Activity**”);

- b. for a period of two years from the Completion Date, be in competition with the Super Giant Group in Giant Restricted Activity, cavass or solicit or accept orders from or do business with any person with whom any member of the Super Giant Group has done business with regarding the Giant Restricted Activity during the twelve months preceding the date of the Agreement, or otherwise induce or endeavour to induce any such person to cease being a customer of any member of the Super Giant Group regarding the Giant Restricted Activity; and
- c. at any time after the date of the Agreement do or say anything which may be harmful to the reputation of any member of the Super Giant Group.

Transfer of intellectual properties

In addition, the Media Vendors shall, as soon as practicable after signing of the Agreement procure the relevant owner(s) or applicant(s) of certain trademarks currently used by members of the Media Group (the “**Transferred Trademarks**”) to assign and transfer the Transferred Trademarks, at nominal consideration, to the member(s) of the Media Group as directed by the Purchaser, do all such things necessary and execute all documents required for the transfer and assignment of the ownership and rights attached to the Transferred Trademarks to the member(s) of the Media Group as directed by the Purchaser. Upon the execution of relevant transfer document(s) and/or assignment(s) evidencing the transfer and assignment of the Transferred Trademarks, the Media Vendors shall procure the relevant owner(s) or applicant(s) of the Transferred Trademarks to take all necessary actions to assist such member(s) of the Media Group as directed by the Purchaser to register the transfer and/or assignment of the Transferred Trademarks with relevant authority in accordance with applicable laws and regulations.

Entering into the New Tenancy Agreement(s)

As at the date of the announcement, certain members of the Media Group are using the Premises as their offices, which was leased by certain companies indirectly wholly-owned by Mr. Ng (as tenants) from Copthorne (as landlord).

Pursuant to the Agreement, Media Vendors shall, as soon as practicable after the signing of the Agreement, and in any event before Completion, procure Copthorne (as landlord) to enter into the New Tenancy Agreement(s) with the member(s) of the Media Group (as tenant) as designated by the Purchaser on terms substantially the same as or no less favourable than the existing tenancies in respect of the Premises. If the New Tenancy Agreement(s) is/are not entered into prior to or at Completion, the relevant tenant shall, at no costs, provide the Premises to and allow the ssame to be used by the member of the Media Group until the New Tenancy Agreement(s) are executed.

Copthorne is an indirect wholly-owned subsidiary of SCHC. While Mr. Ng is the chairman, an executive director and the controlling shareholder of SCHC and hence, a connected person of SCHC, he is also an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company. Thus, Copthorne is a connected person of the Company. In addition, the members of the Media Group will become wholly-owned subsidiaries of the Company upon Completion. Thus, the execution of the New Tenancy Agreement(s) upon or after Completion will constitute continuing

connected transactions for the Company under Chapter 14A of the Listing Rules. In case where the annual caps exceed the de minimis threshold, an announcement complying with the relevant requirements under the Listing Rules will be published by the Company as and when appropriate and necessary.

INFORMATION ON THE GROUP

The Purchaser is a company incorporated in BVI with limited liability and is a direct wholly-owned subsidiary of the Company. The Company is an investment holding company. The principal activities of the Company'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.

INFORMATION ON THE VENDORS AND THE TARGET COMPANIES GROUP

As at the date of this announcement,

- (1) Target Company 1 was a company incorporated in BVI with limited liability and wholly-owned by Vendor 1;
- (2) Target Company 2 was a company incorporated in BVI with limited liability and wholly-owned by Vendor 2;
- (3) Target Company 3 was a company incorporated in BVI with limited liability and wholly-owned by Vendor 3;
- (4) Target Company 4 was a company incorporated in BVI with limited liability and wholly-owned by Vendor 4; and
- (5) Target Company 5 was a company incorporated in BVI with limited liability and wholly-owned by Vendor 5.

To the best knowledge, information and belief of the Directors, each of the Vendors is an investment holding company incorporated in BVI with limited liability. As at the date of this announcement, Mr. Ng, who was an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, indirectly wholly-owned Vendor 1, Vendor 2 and Vendor 5, while directly wholly-owned Vendor 3 and Vendor 4.

The Target Companies Group is principally engaged in the media businesses, including, among others, publishing printed and digital media assets (namely, Jessica, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids Express Weekly and Car Plus), event management, marketing services and other related services, as well as the provision of information technology services.

Original acquisition cost of the Target Companies Group

Target Company 1 and its subsidiaries

Pursuant to the sale and purchase agreement dated 28 December 2007 in respect of the entire issued share capital of South China Media Limited (“**South China Media**”) and the loans thereof due to Vendor 5 as at 31 December 2007 (totaling approximately HK\$14.0 million), entered into between Vendor 5 (a then indirect wholly-owned subsidiary of South China Holdings Limited (now known as Oriental Victory China Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00265)), as the vendor, and Broaden Base Investments Limited (“**Broaden Base**”, a company directly wholly-owned by Mr. Ng and an indirect parent company of Vendor 1), as the purchaser, Broaden Base acquired the entire interests in South China Media and the aforesaid loans at a cash consideration of HK\$30.0 million (the “**2008 Acquisition**”). Details of such transaction were set out in the circular issued by South China Holdings Limited dated 16 January 2008. Vendor 1 was a direct subsidiary of South China Media both before and after completion of the 2008 Acquisition. Except for one of the then indirect subsidiaries of Target Company 1, which was transferred to Target Company 4 subsequent to completion of the 2008 Acquisition, all the then subsidiaries of Vendor 1 remained the subsidiaries of Vendor 1 as at the date of this announcement.

At the relevant time, the subsidiaries of South China Media consisted of, among others, (a) Target Company 1 and its subsidiaries; and (b) an existing subsidiary of Target Company 4. As (i) the consideration for the 2008 Acquisition included not only the cost of acquisition of Target Company 1 and its existing subsidiaries, but also the cost of acquisition of the abovementioned loans and the then subsidiaries of South China Media other than Target Company 1 and its existing subsidiaries; and (ii) the consideration for the 2008 Acquisition was determined for the acquisition of the interests in South China Media and its subsidiaries as a whole based on the negotiations between the relevant parties which were not done on an individual entity basis, the Company is unable to ascertain the original acquisition cost of Target Company 1 and its existing subsidiaries, which form part of the subject assets of the Agreement, to Mr. Ng and his associates at the relevant time. Through internal reorganisation, Broaden Base transferred the entire interest in Target Company 1 to Vendor 1 in 2008.

Target Company 2 and its subsidiaries

In December 2008, Vendor 2 acquired the entire interest in Target Company 2 at a consideration of HK\$8.00 from a subsidiary of South China (China) Limited (now known as South China Holdings Company Limited), of which Mr. Ng and his associates were the controlling shareholders. The then subsidiaries of Target Company 2 remained the same subsidiaries of Target Company 2 as at the date of this announcement.

Target Company 3 and its subsidiaries

In January 2011, Vendor 3 entered into the sale and purchase agreement in respect of the entire issued share capital of Target Company 3 with Honbridge Holdings Limited, an independent third party and the shares of which are listed on the Growth Enterprise Market of the Stock Exchange

(stock code: 8137). Pursuant to such agreement, Vendor 3 acquired the entire interest in Target Company 3, together with the subsidiaries thereof (which remained the subsidiaries of Target Company 3 as at the date of this announcement), from Honbridge Holdings Limited at a consideration of HK\$1.0 million.

Target Company 4 and its subsidiaries

Target Company 4 was a shelf company acquired by Vendor 4 from an independent third party at approximately HK\$5,000. As at the date of this announcement, Target Company 4 had three subsidiaries which were acquired by certain companies wholly-owned by Mr. Ng directly as follows:

As disclosed in the circular dated 14 September 2007 issued by Jessica Publications Limited (now known as Honbridge Holdings Limited), pursuant to the sale and purchase agreement dated 16 August 2007 in respect of entire issued share capital of Vendor 2 (a then indirect wholly-owned subsidiary of Honbridge Holdings Limited), Vendor 3 acquired 100% interests in Vendor 2 at cash consideration of HK\$1.0 million (the “**2007 Acquisition**”). At the relevant time, Vendor 2 and its subsidiaries were principally engaged in the publication of two magazines, namely “旭茉 JESSICA” and “JESSICA China”. The then subsidiaries of Vendor 2 included, among others, two existing subsidiaries of Target Company 4 which is engaged in publication of the magazine titled “旭茉 JESSICA”. The aforesaid two subsidiaries of Vendor 2 were transferred from Vendor 3 to Target Company 4 subsequent to the completion of the aforesaid transaction.

The remaining subsidiary of Target Company 4 was one of the then indirect wholly-owned subsidiaries of South China Media, which was acquired by Broaden Base in the 2008 Acquisition. Broaden Base, transferred the interests in the said subsidiary to Target Company 4 subsequent to the completion of the aforesaid transaction.

As (i) the consideration for the 2007 Acquisition covered the cost for the acquisition of the interests in companies other than Target Company 4 and its subsidiaries; (ii) the consideration for the 2008 Acquisition covered the cost for the acquisition of the aforesaid loans of approximately HK\$14.0 million and the interests in companies other than Target Company 4 and its subsidiaries; and (iii) such consideration was determined for the relevant target groups as a whole based on the negotiations between the relevant parties rather than on an individual basis for each of the members of such target groups, the Company and the relevant Vendors were unable to ascertain the original acquisition cost of Target Company 4 and its subsidiaries.

Target Company 5 and its subsidiaries

Tremendous Success Holdings Limited, as purchaser, and South China Holdings Limited (now known as Oriental Victory China Holdings Limited (stock code: 00265)), as vendor, entered into the agreement and supplemental agreement dated 30 April 2014 and 24 June 2014, respectively, whereby, subject to certain conditions, Tremendous Success Holdings Limited agreed to acquire the entire issued share capital in South China (BVI) Limited from South China Holdings Limited at the consideration of approximately HK\$95.5 million. Pursuant to the abovementioned agreements, South China (BVI) Limited had waived the amounts due from certain subsidiaries of South China

Holdings Limited (not being members of South China (BVI) Limited) totaling approximately HK\$14.5 million. At the time of the aforesaid transaction, Vendor 5 (the direct wholly-owned subsidiary of South China (BVI) Limited) held the interests in various subsidiaries, including the interests in Target Company 5 and its subsidiaries. Details of the abovementioned transaction were set out in the circular dated 12 August 2014 issued by South China Holdings Limited. Based on the negotiations of the relevant parties, the consideration of approximately HK\$95.5 million was determined for the sale and purchase of the entire issued share capital of South China (BVI) Limited and its interests in the then subsidiaries thereof as a whole, which included not only Target Company 5 and its existing subsidiaries but also other entities not being the subject assets of the transaction contemplated under the Agreement rather than on an individual basis for each of South China (BVI) Limited and its subsidiaries. As such, the Company was unable to ascertain the original acquisition cost of Target Company 5 and its subsidiaries at the relevant time. Through internal reorganisations, subsequent to completion of the aforesaid transaction, Tremendous Success Holdings Limited transferred the entire interest in South China (BVI) Limited to another company, which was directly wholly-owned by Mr. Ng, and the interests in certain indirect subsidiaries of South China (BVI) Limited were transferred to Target Company 5. Such indirect subsidiaries of South China (BVI) Limited then became the existing subsidiaries of Target Company 5.

Set out below is the financial information extracted from the unaudited consolidated management accounts of Target Company 1 and its subsidiaries for the relevant periods:

	For the year ended	
	31 December 2015	31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Loss before and after taxation and extraordinary items	18,903	17,410
		As at 31 December 2016
		<i>(HK\$'000)</i>
Net liabilities		489,474

Set out below is the financial information extracted from the unaudited consolidated management accounts of Target Company 2 and its subsidiaries for the relevant periods:

	For the year ended	
	31 December 2015	31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Loss before and after taxation and extraordinary items	9	9
		As at 31 December 2016
		<i>(HK\$'000)</i>
Net liabilities		12

Set out below is the financial information extracted from the unaudited consolidated management accounts of Target Company 3 and its subsidiaries for the relevant periods:

	For the year ended	
	31 December 2015	31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Loss before and after taxation and extraordinary items	3,096	2,648
		As at 31 December 2016
		<i>(HK\$'000)</i>
Net liabilities		6,999

Set out below is the financial information extracted from the unaudited consolidated management accounts of Target Company 4 and its subsidiaries for the relevant periods:

	For the year ended	
	31 December 2015	31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Loss before taxation and extraordinary items	1,108	712
Loss after taxation and extraordinary items	637	594
		As at 31 December 2016
		<i>(HK\$'000)</i>
Net assets		55,810

Set out below is the financial information extracted from the unaudited consolidated management accounts of Target Company 5 and its subsidiaries for the relevant periods:

	For the year ended	
	31 December 2015	31 December 2016
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Profit before and after taxation and extraordinary items	4,308	948
		As at 31 December 2016
		<i>(HK\$'000)</i>
Net assets/(liabilities)		3,924

Upon Completion, the Target Companies Group will become indirectly wholly-owned subsidiaries of the Company and the financial results of the Target Companies Group will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As disclosed in the announcement and circular of the Company dated 3 November 2016 and 29 December 2016, respectively, in relation to the Previous Acquisition, it has been the Company's business strategy to make investments that creates synergy with its existing operations and diversifies its revenue streams as well as implements a consumer-oriented e-commerce model in the future. The Target Companies Group is principally engaged in the (i) media businesses, including, among others, publishing printed and digital media assets (namely, Jessica, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids Express Weekly and Car Plus), event management, marketing services and other related services, appealing to a client and audience base complementing to the target clients of the Group as well as owning and maintaining the content archives of, among others, Express News, Lisa and HIM; and (ii) provision of information technology services. The Board believes that considering the popularity and widespread reach of the media assets produced by the Target Companies Group, it may create various business opportunities for the Group including relationship-building across various business lines and also enable it to provide value-added services to its existing clients. Through the media platform and by utilising the significant audience and circulation reach, broad customer base database, as well as big data of the Target Companies Group, the Group will also be able to broaden its scope of product and services offerings that is indispensable to materialising its plan to develop a consumer-oriented e-commerce platform.

Taking into account of the above factors, the Directors (excluding the independent non-executive Directors) believe the terms of the Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Mr. Ng is considered to have material interests in the Acquisition by virtue of his directorship in the Company and interests in the Target Companies, and therefore he has abstained from voting on the Board resolutions approving the Acquisition. Further, Ms. Ng Yuk Mui Jessica is an executive Director and a director of each of Target Company 1, Target Company 2, Target Company 3 and Target Company 4, Ms. Cheung Choi Ngor is an executive Director and a director of Target Company 5. Thus, each of Ms. Cheung Choi Ngor and Ms. Ng Yuk Mui Jessica is also considered to have material interests in the Acquisition by virtue of her common directorship in the Company and each of Target Companies, and therefore she has also abstained from voting on the Board resolutions approving the Acquisition. Save as disclosed above, no other Directors have abstained from voting on the said Board resolutions.

LISTING RULES IMPLICATIONS

As the Agreement was entered into within 12 months after completion of the Previous Acquisition, both the agreement in respect of the Previous Acquisition and the Agreement were entered into between a members of the Group and the same connected person and/or his associates, the Acquisition and the Previous Acquisition are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As one of the applicable percentage ratios for the Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules.

Accordingly, the Acquisition is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendors were wholly-owned by Mr. Ng, who is an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company. Each of the Vendors is an associate of Mr. Ng and therefore a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction for the Company, and is subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Acquisition at the EGM.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened to consider and, if thought, to approve, the Agreement and the transactions contemplated thereunder. A circular containing, among others, (i) further details of the Agreement and the transactions contemplated thereunder; (ii) a letter 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 relation to the Agreement and the transactions contemplated thereunder; and (iv) notice of EGM, will be despatched to the Shareholders on or about 26 April 2017.

As at the date of this announcement, Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, was interested in 4,423,080,384 Shares, representing approximately 29.32% of the issued share capital of the Company. Mr. Ng was considered to have a material interest in the Acquisition by virtue of his interests in the Target Companies, and he and his associates will abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder in the EGM.

DEFINITIONS

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

“Acquisition”	the conditional acquisition of the entire issued share capital of the Target Companies by the Purchaser at the Consideration, which is subject to adjustment in accordance with the terms of the Agreement
“Agreement”	the agreement dated 31 March 2017 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday, public holiday in Hong Kong 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
“BVI”	the British Virgin Islands
“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00619)
“Completion”	completion of the Agreement, which shall take place on the Completion Date
“Completion Accounts”	collectively, Giant Completion Accounts and Media Completion Accounts
“Completion Date”	the next Business Day immediately following the date on which all the conditions precedent to the Acquisition have been fulfilled or waived (if applicable), or such other date as the parties to the Agreement agree in writing

“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	collectively, the Media Consideration and the Giant Consideration
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Copthorne”	Copthorne Holdings Corp., a company incorporated in Panama with limited liability and an indirect wholly-owned subsidiary of SCHC
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Agreement and the transactions contemplated thereunder
“Giant Completion Accounts”	the unaudited consolidated financial statements of Target Company 5 for the period from 1 January 2017 to the Completion Date prepared in accordance with the terms and conditions of the Agreement
“Giant Consideration”	the consideration for the acquisition of Target Company 5, which is subject to adjustments in accordance with the terms of the Agreement, as detailed in the sub-section headed “B. Giant Consideration” under the section headed “Consideration and adjustment to Consideration” in this Announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than the Shareholders who have a material interest in the transactions contemplated under the Agreement (i.e. Shareholders other than Mr. Ng and his associates)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Media Completion Accounts”	the unaudited consolidated financial statements of Target Company 1, Target Company 2, Target Company 3 and Target Company 4 for the period from 1 January 2017 to the Completion Date, prepared in accordance with the terms and conditions of the Agreement
“Media Consideration”	the total consideration for the acquisition of Target Company 1, Target Company 2, Target Company 3 and Target Company 4, which is subject to adjustments in accordance with the terms of the Agreement, as detailed in the sub-section headed “A. Media Consideration” under the section headed “Consideration and adjustment to Consideration” in this Announcement
“Media Group”	collectively, (a) Target Company 1 and the wholly-owned subsidiaries of Target Company 1; (b) Target Company 2 and the wholly-owned subsidiaries of Target Company 2; (c) Target Company 3, the wholly-owned subsidiaries of Target Company 3 and a subsidiary of Target Company 3 which is owned as to 50% by Target Company 3; and (d) Target Company 4 and the wholly-owned subsidiaries of Target Company 4
“Media Vendors”	collectively, Vendor 1, Vendor 2, Vendor 3 and Vendor 4
“Mr. Ng”	Mr. Ng Hung Sang, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, and the ultimate beneficial owner of each of the Vendors
“New Tenancy Agreement(s)”	tenancy agreement(s) to be entered into between Copthorne (as landlord) with member(s) of the Media Group (as tenant) in relation to the lease of the Premises
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Premises”	the premises known as (i) Units A and B, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong; (ii) Unit B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong owned by Copthorne

“Previous Acquisition”	the acquisition of the entire issued share capital of Golden Ways Limited and Media Bonus Limited by the Group, details of which was disclosed in the announcement and circular of the Company dated 3 November 2016 and 29 December 2016, respectively
“Purchaser”	Perfect Mind Ventures Limited, a company incorporated under the laws of BVI and a directly wholly-owned subsidiary of the Company
“SCHC”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00413)
“Shares”	ordinary shares in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Super Giant Group”	collectively, Target Company 5, the wholly-owned subsidiaries of Target Company 5, two subsidiaries of Target Company 5 which each of them is owned as to 70% by Target Company 5, a subsidiary of Target Company 5 which is owned as to 65% by Target Company and three subsidiaries of Target Company 5 which each of them is owned as to 60% by Target Company 5
“Target Company 1”	Perfect Riches Limited, a company incorporated under the laws of BVI and a directly wholly-owned subsidiary of Vendor 1 as at the date of this announcement
“Target Company 2”	Super Bellax Ltd., a company incorporated under the laws of BVI and a directly wholly-owned subsidiary of Vendor 2 as at the date of this announcement
“Target Company 3”	Great Ready Assets Limited, a company incorporated under the laws of BVI and a directly wholly-owned subsidiary of Vendor 3 as at the date of this announcement

“Target Company 4”	Jade Fountain Limited, a company incorporated under the laws of BVI and a directly wholly-owned subsidiary of Vendor 4 as at the date of this announcement
“Target Company 5”	Super Giant Limited, a company incorporated under the laws of BVI and a directly wholly-owned subsidiary of Vendor 5 as at the date of this announcement
“Target Companies”	Target Company 1, Target Company 2, Target Company 3, Target Company 4 and Target Company 5
“Target Companies Group”	collectively, Media Group and Super Giant Group
“Vendor 1”	Nicemate Investments Limited, a company incorporated under the laws of Hong Kong and indirectly wholly-owned by Mr. Ng as at the date of this announcement
“Vendor 2”	Jessica Publications (BVI) Limited, a company incorporated under the laws of BVI and indirectly wholly-owned by Mr. Ng as at the date of this announcement
“Vendor 3”	Win Gain Investments Limited, a company incorporated under the laws of BVI and directly wholly-owned by Mr. Ng as at the date of this announcement
“Vendor 4”	Ace Market Investments Limited, a company incorporated under the laws of BVI and directly wholly-owned by Mr. Ng as at the date of this announcement
“Vendor 5”	Tek Lee Finance and Investment Corporation Limited, a company incorporated under the laws of Hong Kong and indirectly wholly-owned by Mr. Ng as at the date of this announcement
“Vendors”	Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Vendor 5
“%”	per cent.

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

Hong Kong, 31 March 2017

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