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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)

(1) TERMINATION OF EXISTING 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; AND (2) NEW 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 AND JADE FOUNTAIN LIMITED

Financial adviser to the Company

德健融資有限公司
DAKIN CAPITAL LIMITED

Reference is made to the announcement of the Company dated 31 March 2017 in relation to the Previous Proposed Acquisition.

TERMINATION OF EXISTING MAJOR AND CONNECTED TRANSACTION

After the signing of the Original Agreement, the parties thereto have been working on the due diligence and the preparation of the circular, including the work of the relevant professional parties to be included therein. In the course of these efforts, the Company found that the estimated foreseeable transactional and incidental professional parties' costs and time involved in relation to the acquisition of Super Giant and its subsidiaries, which are engaged in the provision of information technology services in the PRC, were much more than expected. In view of the above, the Board considered the costs and time to be incurred in such acquisition would exceed and outweigh the perceived benefits from the same. Given the aforesaid reasons, after arm's length negotiations among the parties, the Purchaser and the Former Vendors have mutually agreed to terminate the Previous Proposed Acquisition and enter into the termination agreement as well as the New Agreement (which shall be entered into among the Purchaser and the Media Vendors (i.e. the Former Media Vendors) immediately after the signing of the termination agreement) on 14 July 2017. Pursuant to such termination agreement, (i) the provisions of the Original Agreement in relation to confidentiality, notices and process agent and governing law and jurisdiction shall survive after the termination of the Original Agreement; (ii) each party thereto shall irrevocably and unconditionally release and discharge the other parties absolutely from all claims, liabilities and demands under or in connection with the Original Agreement (save for antecedent breach prior to the date of the termination agreement (if any)); (iii) the term that the Former Media Vendors shall refund the Media Consideration received in full to the Purchaser within 10 Business Days from the date of termination of the Original Agreement shall remain effective until the Purchaser and the Media Vendors have entered into the New Agreement; and (iv) upon signing of the New Agreement, the deposit and part payment of HK$10,000,000 and second payment of HK$5,000,000 of the Media Consideration, totaling HK$15,000,000, previously paid under the Original Agreement, which would otherwise be refundable pursuant to the Original Agreement upon termination thereof, shall immediately be applied to settle and regarded as payment for the Consideration (before adjustment thereto pursuant to the New Agreement, if any) in full.

The Board is of the view that the termination of the Original Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and will not have any material adverse effect on the business operation and financial position of the Group.

NEW MAJOR AND CONNECTED TRANSACTION

On 14 July 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Media Vendors entered into the New Agreement whereby the Purchaser conditionally agreed to acquire and the Media Vendors conditionally agreed to sell the entire issued share capital of the Media Target Companies at the Consideration subject to adjustment.

The terms of the New Agreement are substantially the same as those contained in the Original Agreement, save and except that (i) the New Agreement does not include the acquisition of Super Giant and, hence, all the provisions relating thereto; (ii) all payments of the Media Consideration (before adjustment) made under the Original Agreement shall be treated as payment of the Consideration (before adjustment), which is in the same amount as the Media Consideration (before adjustment) under the Original Agreement, to the Media Vendors under the New Agreement; and (iii) the Reorganisation shall be done in two phases (as it may take time for Target Company 4 to withdraw from and terminate the membership of the Charitable Company (as defined below)).

LISTING RULES IMPLICATIONS

As the New Agreement was entered into within 12 months after completion of the Previous Acquisition and both the agreement in respect of the Previous Acquisition and the New Agreement were entered into between a member of the Group and the same connected person and/or his associates, the New 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 New Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 25% but less than 100%, the New Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the New 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 and Vendor 2 indirectly and the entire interests in Vendor 3 and Vendor 4 directly. As such, each of the Media 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 New Acquisition also constitutes a connected transaction for the Company. As the New Acquisition is not exempted from all or some of the requirements under Chapter 14A of the Listing Rules, it is subject to the announcement, reporting and Independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules.

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

APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the New Agreement and the transactions contemplated thereunder. The Independent Board Committee has approved the appointment of Crescendo as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the New Agreement and the transactions contemplated thereunder.

The circular containing, among others, (i) further details of the New Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Crescendo to the Independent Board Committee and the Independent Shareholders in relation to the New Agreement and the transactions contemplated thereunder; and (iv) the notice of EGM, will be despatched to the Shareholders. As additional time is required to finalise the contents of such circular, the Company will despatch the circular to the Shareholders on or about 11 September 2017.

Reference is made to the announcement of the Company dated 31 March 2017 in relation to the Previous Proposed Acquisition.

TERMINATION OF EXISTING MAJOR AND CONNECTED TRANSACTION

After the signing of the Original Agreement, the parties thereto have been working on the due diligence and the preparation of the circular, including the work of the relevant professional parties to be included therein. In the course of these efforts, the Company found that the estimated foreseeable transactional and incidental professional parties' costs and time involved in relation to the acquisition of Super Giant and its subsidiaries, which are engaged in the provision of information technology services in the PRC, were much more than expected. In view of the above, the Board considered the costs and time to be incurred in such acquisition would exceed and outweigh the perceived benefits from the same. Given the aforesaid reasons, after arm's length negotiations among the parties, the Purchaser and the Former Vendors have mutually agreed to terminate the Previous Proposed Acquisition and enter into the termination agreement as well as the New Agreement (which shall be entered into among the Purchaser and the Media Vendors (i.e. the Former Media Vendors) immediately after the signing of the termination agreement) on 14 July 2017. Pursuant to such termination agreement, (i) the provisions of the Original Agreement in relation to confidentiality, notices and process agent and governing law and jurisdiction shall survive after the termination of the Original Agreement; (ii) each party thereto shall irrevocably and unconditionally release and discharge the other parties absolutely from all claims, liabilities and demands under or in connection with the Original Agreement (save for antecedent breach prior to the date of the termination agreement (if any)); (iii) the term that the Former Media Vendors shall refund the Media Consideration received in full to the Purchaser within 10 Business Days from the date of termination of the Original Agreement shall remain effective until the Purchaser and the Media Vendors have entered into the New Agreement; and (iv) upon signing of the New Agreement, the deposit and part payment of HK$10,000,000 and second payment of HK$5,000,000 of the Media Consideration, totaling HK$15,000,000, previously paid under the Original Agreement, which would otherwise be refundable pursuant to the Original Agreement upon termination thereof, shall immediately be applied to settle and regarded as payment for the Consideration (before adjustment thereto pursuant to the New Agreement, if any) in full pursuant to the New Agreement.

The Board is of the view that the termination of the Original Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and will not have any material adverse effect on the business operation and financial position of the Group.

THE NEW AGREEMENT

The Board announces that on 14 July 2017 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Media Vendors entered into the New Agreement whereby the Purchaser conditionally agreed to acquire and the Media Vendors conditionally agreed to sell the entire issued share capital of the Media Target Companies at the Consideration subject to adjustment.

The terms of the New Agreement are substantially the same as those contained in the Original Agreement, save and except that (i) the New Agreement does not include the acquisition of Super Giant and, hence, all the provisions relating thereto; (ii) all payments of the Media Consideration (before adjustment) made under the Original Agreement shall be treated as payment of the Consideration (before adjustment), which is in the same amount as the Media Consideration (before adjustment) under the Original Agreement, to the Media Vendors under the New Agreement; and (iii) the Reorganisation shall be done in two phases (as it may take time for Target Company 4 to withdraw from and terminate the membership of the Charitable Company (as defined below)).

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

Date 14 July 2017

Parties
(1) the Purchaser (as purchaser);
(2) Vendor 1 (as vendor);
(3) Vendor 2 (as vendor);
(4) Vendor 3 (as vendor); and
(5) Vendor 4 (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 and Vendor 2 indirectly and the entire interests in Vendor 3 and Vendor 4 directly.

Subject matter

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

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

Consideration and adjustment to Consideration

Pursuant to the Original Agreement, the Purchaser has paid the Media Consideration to South China Media Limited, the collection agent authorised and appointed by the Former Media Vendors to collect all payments in respect of the Media Consideration under the Original Agreement for and on behalf thereof as follows:

1. the sum of HK$10,000,000 paid on 31 March 2017 as deposit and the first payment of the Media Consideration; and

2. the sum of HK$5,000,000 paid on 31 May 2017 as the second payment of the Media Consideration.

The Former Media Vendors have acknowledged and confirmed the receipt of the Media Consideration (before adjustment) under the Original Agreement in full, totalling HK$15,000,000. Pursuant to the New Agreement, the Media Consideration so received by the Former Media Vendors under the Original Agreement shall be applied to settle and deemed as, and shall constitute, the full payment for the Consideration (which shall be the same amount of the Media Consideration before adjustment) before adjustment (if any) of HK$15,000,000.

The Media Vendors undertook jointly and severally that the combined consolidated liabilities of the Media Group, which represents the aggregate of the consolidated net assets/liabilities of Target

Company 1, Target Company 2, Target Company 3, Target Company 4 and their respective 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. Being the same as the Media Consideration, the 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$84,000,000 before taking into account the Media Consolidated Net Liabilities as at the valuation date (i.e. 31 December 2016). Given the (a) cash Consideration of HK$15,000,000; and (b) aforesaid condition in respect of the valuation of the Media Group as agreed among the parties to the New Agreement, the Media Vendors agreed to undertake that the Media Consolidated Net Liabilities shall not exceed HK$69,000,000 immediately before Completion as at the Completion Date.

Adjustment to the Consideration

If:

(a) the Media Consolidated Net Liabilities as at the Completion Date, which shall be determined according to the Completion Accounts, is less than HK$69,000,000, the full amount of the difference between such Media Consolidated Net Liabilities and the Undertaking Amount of HK$69,000,000 ("**Media Combined Net Surplus**") shall be payable by the Purchaser to the collection agent (on a dollar-for-dollar basis) provided that the amount of the such difference exceeds HK$100,000; or

(b) the Media Consolidated Net Liabilities as at the Completion Date, which shall be determined according to the Completion Accounts, exceed HK$69,000,000, the full amount of the difference between such Media Consolidated Net Liabilities and the Undertaking Amount of HK$69,000,000 ("**Media Combined Net Shortfall**") shall be payable by the 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.

The Media Combined Net Surplus or the Media Combined Net Shortfall, as the case may be, shall be paid by the relevant party(ies) within 15 Business Days from the date on which the Completion Accounts are delivered to the Purchaser.

The Media Vendors shall prepare the Completion Accounts and deliver the same to the Purchaser within two months after the Completion Date. The Completion Accounts shall be:

(i) prepared (a) in accordance with the applicable accounting standards and accounting practices generally accepted in Hong Kong; and (b) by adopting the basis of preparation and applying the accounting policies consistent with those adopted in the preparation of the audited financial statements of the Hong Kong incorporated members of the Media Group for the year ended 31

December 2015 and the unaudited consolidated financial statements of each of Target Company 1, Target Company 2, Target Company 3 and Target Company 4 for the year ended 31 December 2016; and

(ii) certified as such by a director of the relevant Media Vendors.

For the preparation of the Completion Accounts, the Media Vendors shall have the rights of access to the books and records of the Media Group after the Completion Date to the extent required and solely for the preparation of such Completion Accounts.

The Media Combined Net Surplus or the Media Combined Net Shortfall (as the case may be) shall be settled in cash or by cashier order or bank remittance to the bank account designated by the collection agent or the Purchaser (whichever being the receiving party(ies)).

The Consideration was determined after arm's length negotiations among the Purchaser and the Media Vendors with reference to, among others, (i) the growth potential and prospect of the Media Group; (ii) the reasons for and benefits of the New Acquisition as described below; and (iii) the conditions that (a) the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall equal to HK$69.0 million (failing which adjustment to Consideration is required subject to the threshold of variance not exceeding HK$100,000); and (b) the valuation of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as appraised by an independent valuer appointed by the Company shall not be less than HK$84.0 million which imply that the said valuation as adjusted for the Media Consolidated Net Liabilities immediately before Completion as at the Completion Date shall not be less than the Consideration of HK$15.0 million after the adjustment thereto pursuant to the New Agreement (if any) save for the abovementioned variance not exceeding HK$100,000. As at the date of this announcement, the independent valuer appointed by the Company is still in the process of preparing the said valuation. The Consideration was 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 Independent Shareholders approving, by way of ordinary resolution and on a poll at the EGM, the New Agreement and the transactions contemplated thereunder and all other consents and acts required under the Listing Rules (if any) being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange;

b. step (i) of the Reorganisation as stipulated under the New Agreement having been completed in accordance with applicable laws and regulations;

c. all approvals, consents, authorisations and licences in relation to the change of beneficial ownership of each of the Media Target Companies as contemplated by the New Agreement (if required) having been obtained from the requisite government or regulatory authorities or third party(ies);

d. the Purchaser being satisfied with the results of the due diligence review of the Media Group;

e. the valuation of the Media Group conducted 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 Media Group to any member of the group of companies comprising Broaden Base Investments Limited (the ultimate holding company of Vendor 1), Vendor 2, Vendor 4 and their respective holding companies, subsidiaries and fellow subsidiaries or any associate of Mr. Ng (but excluding the members of the Media Group) by any means, such as by cash, assignment, capitalisation, wavier or otherwise.

For the avoidance of doubt, the valuation of the Media Group as referred to in (e) above shall be the value of the Media Group as at 31 December 2016 before taking into account the Media Consolidated Net Liabilities as at that date to be appraised by an independent valuer appointed by the Company.

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 New Agreement shall cease and terminate and no party to the New Agreement will have any further right or obligation under the New Agreement except in respect of the specific provisions as set out in the New Agreement which will continue in full force and effect and no party to the New Agreement shall have any claim against or liability to any other party thereto save for antecedent breaches of the New Agreement.

Further, if at any time before Completion, any of the warranties of the Media 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 Media Vendors becoming unable or failing to do anything required under the New Agreement to be done by it on or before the Completion Date, the Purchaser may rescind the New Agreement and the Media 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 New Agreement.

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

Completion

Completion shall take place on the Completion Date.

Undertakings

Cessation of membership subsequent to Completion

As at the date of this announcement, Target Company 4 was the sole member of a company incorporated in Hong Kong and limited by guarantee, not having a share capital to which the tax exemption under Section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) had been granted (the "**Charitable Company**"). The Directors noted in the due diligence that it would take more time for Target Company 4 to withdraw from and terminate the membership of the Charitable Company. As such, after negotiations between the parties to the New Agreement, Vendor 4 agreed to undertake that, for the period from the date hereof to the Completion Date, it will procure (a) a person other than the members of the Media Group to apply for the membership of the Charitable Company; (b) the Charitable Company to approve such application and that person to become a members thereof (the "**Appointment**"); (c) Target Company 4 to take all necessary action(s) to withdraw from and terminate the membership of the Charitable Company (the "**Cessation**") and the Charitable Company to accept the same; and (d) that such withdrawal from the termination of the membership of the Charitable Company shall take effect on or before 31 December 2017 or any other date as the Purchaser and Vendor 4 may mutually agree in writing. If, upon Completion, the Cessation has not been completed, Vendor 4 undertakes that, at all times including after Completion, it shall provide assistance regarding the Cessation to the Purchaser upon request thereof.

Further, Vendor 4 undertakes that unless there is prior written consent from the Purchaser, it will not through Target Company 4 or otherwise instruct the Charitable Company to, and will procure that the Charitable Company will not, carry on, be engaged, concerned or interested in any activity other than the normal administrative routines not involving cost or expense in excess of HK$100,000 on an individual, aggregate or cumulative basis at any time during the period from the date of the New Agreement to Completion. The Purchaser undertakes that, unless there is prior written instruction from Vendor 4, it will not through Target Company 4 or otherwise instruct the Charitable Company to, and will procure that the Charitable Company will not, carry on, be engaged, concerned or interested in any activity other than the normal administrative routines not involving cost or expense in excess of HK$100,000 on an individual, aggregate or cumulative basis at any time during the period from Completion Date to the date of the Cessation. Should the Purchaser, Target Company 4 and/or the Charitable Company act on the aforesaid written instruction from Vendor 4 and incur any loss, expense, liability or damage, direct, indirect, consequential incidental or otherwise, Vendor 4 shall indemnify them against all such loss, expense, liability or damage in full.

Non-competition and non-solicitation

Each of the Media Vendors undertakes that it will not, and will procure that its associated company(ies) (as defined in the Companies Ordinance, Chapter 622 of the Laws of Hong Kong) 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 directly or indirectly:

a. 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 New Agreement, namely the publication of printed magazines which are sold and circulated in Hong Kong (the "**Media Restricted Activity**") , for a period of two years from the Completion Date;

b. be in competition with the Media Group in the 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 regarding the Media Restricted Activity during the twelve months preceding the date of the New 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 for a period of two years from the Completion Date; and

c. at any time after the date of the New Agreement do or say anything which may be harmful to the reputation of any member of the Media Group.

Transfer of intellectual properties

In addition, the Media Vendors shall, as soon as practicable after signing of the New Agreement procure the relevant owner(s) or applicant(s) of certain trademarks currently used by the 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 such transfer and assignment of the ownership of and the rights attached to the Transferred Trademarks. 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. If any of the document(s) and/or assignment(s) evidencing the transfer and assignment of the Transferred Trademarks is not executed on or before the Completion Date and/or such assignment and/or transfer of Transferred Trademarks has not become effective on or before the Completion Date, the Media Vendors shall procure the owner(s) or applicant(s) of the relevant Transferred Trademark(s) to provide such Transferred Trademark(s) to and allow the same to be used exclusively by the members of the Media Group at no cost until the relevant assignment and/or transfer of the Transferred Trademark(s) become(s) effective.

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 a company wholly-owned by Mr. Ng indirectly (as tenant) from Copthorne (as landlord).

Pursuant to the New Agreement, the Media Vendors shall, as soon as practicable after the signing of the New 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 said tenant shall, at no cost, provide the Premises to and allow the same to be used by the member(s) 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 an associate of Mr. Ng and, hence, 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 transaction(s) 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, asset management, property investment and investment holding. In addition, the subsidiaries acquired in the Previous Acquisition, which was completed in January 2017, are engaged in financial media businesses including publication of magazines (namely, Capital Weekly (資本壹週), Capital Money (資本創富), Capital Entrepreneur (資本企業家), Capital CEO (資本才俊) and Capital (資本雜誌)), event management, marketing services and other related businesses.

INFORMATION ON THE MEDIA VENDORS AND THE MEDIA GROUP

As at the date of this announcement,

(1) Target Company 1, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 1;

(2) Target Company 2, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 2;

(3) Target Company 3, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 3; and

(4) Target Company 4, a company incorporated in BVI with limited liability, was wholly-owned by Vendor 4.

To the best knowledge, information and belief of the Directors, each of the Media Vendors is an investment holding company. 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 and Vendor 2 indirectly and the entire interests in Vendor 3 and Vendor 4 directly.

The Media 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.

Original acquisition cost of the Media 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 Tek Lee as at 31 December 2007 (totaling approximately HK$14.0 million) entered into between Tek Lee (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**", the indirect holding company of Vendor 1 wholly-owned by Mr. Ng directly as at the date hereof), as the purchaser, Broaden Base acquired the entire interests in South China Media and the aforesaid loans at 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 two of the then indirect subsidiaries of Target Company 1, which were transferred to Target Company 4 subsequent to completion of the 2008 Acquisition (one of which formed part of the subject assets of the New 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 (a) Target Company 1 and the existing subsidiaries thereof; (b) the two then subsidiaries of Target Company 1 transferred to Target Company 4 as referred to in the preceding paragraph; and (c) other subsidiaries of South China Media not being members of the Media Group. 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 and Vendor 1 were unable to ascertain the original acquisition cost of Target Company 1 and its existing subsidiaries, which formed part of the subject assets of the New Agreement, to Mr. Ng and his associates at the relevant time.

Target Company 2 and its subsidiaries

In December 2008, Vendor 2 acquired the entire interest in Target Company 2 at the consideration of HK$8.00 from a subsidiary of South China (China) Limited (now known as South China Holdings Company Limited, i.e. SCHC as defined) of which Mr. Ng and his associates were the controlling shareholders. The then subsidiaries of Target Company 2 remained the subsidiaries thereof 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 with the shares therein listed on the Growth Enterprise Market of the Stock Exchange (stock code: 08137). 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 the 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. Excluding the two companies to be disposed of pursuant to the Reorganisation, 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 the entire 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 to Target Company 4 subsequent to the completion of the 2007 Acquisition.

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, through the then immediate holding company of such subsidiary, transferred the entire 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 the subsidiary of Target Company 4 as referred to in the preceding paragraph; and (iii) such considerations were 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 Media Vendors were unable to ascertain the original acquisition costs of Target Company 4 and its subsidiaries.

Financial information of the Media Group

Set out below is the financial information extracted from the unaudited consolidated financial statements of each of the Media Target Companies and its subsidiaries for the relevant periods:

(i) Target Company 1 and its subsidiaries

	Year ended	
	31 December 2015	**31 December 2016**
	HK$'000	*HK$'000*
Loss before and after taxation and extraordinary items	18,903	17,410

	As at 31 December 2016
	HK$'000
Net liabilities	489,474

(ii) Target Company 2 and its subsidiaries

	Year ended	
	31 December 2015	**31 December 2016**
	HK$'000	*HK$'000*
Loss before and after taxation and extraordinary items	9	9

	As at 31 December 2016
	HK$'000
Net liabilities	12

(iii) Target Company 3 and its subsidiaries

	Year ended	
	31 December 2015	**31 December 2016**
	HK$'000	*HK$'000*
Loss before and after taxation and extraordinary items	3,096	2,648

	As at 31 December 2016
	HK$'000
Net liabilities	6,999

(iv) Target Company 4 and its subsidiaries (excluding the companies to be disposed of in the Reorganisation)

	Year ended	
	31 December 2015	**31 December 2016**
	HK$'000	*HK$'000*
Loss before taxation and extraordinary items	1,108	712
Loss after taxation and extraordinary items	637	594

	As at 31 December 2016
	HK$'000
Net assets	55,810

Upon Completion, the members of the Media Group will become indirect wholly-owned subsidiaries of the Company and their assets, liabilities and financial results will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE NEW 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 would create synergy with its existing operations and diversify its revenue streams as well as implement a consumer-oriented-business platform in the future. The Media 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, 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. The Board believes that the popularity and widespread reach of the media assets produced by the Media Group would not only broaden the media platform of the Group since completion of the Previous Acquisition but also create various business opportunities for the Group, including relationship-building across various business lines, and 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 Media Group, the Group will also be able to broaden its scope of products and services offerings that is indispensable to materialising its plan to develop a consumer-oriented business platform.

Taking into account of the above factors, the Directors (excluding the independent non-executive Directors) believe the terms of the New 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 termination of the Original Agreement and the New Acquisition by virtue of his directorship in the Company and certain members of the Media Group and his interests in the Company and the Media Group. As such, he has abstained from voting on the Board resolutions approving the termination of the Original Agreement and the New Acquisition. Ms. Ng Yuk Mui Jessica is an executive Director and a director of each of Vendor 1, Vendor 2, Vendor 4 and the Media Target Companies. Thus, Ms. Ng Yuk Mui Jessica is also considered to have material interests in the termination of the Original Agreement and the New Acquisition by virtue of common directorship and, therefore, she has abstained from voting on the Board resolutions approving the termination of the Original Agreement and the New Acquisition. Further, Ms. Cheung Choi Ngor is an executive Director and a director of Super Giant and is, therefore, considered to have material interest in the termination of the Original Agreement by virtue of such common directorship. As such, she has abstained from voting on the Board resolutions approving the termination of the Original Agreement. Save as disclosed above, no other Director has abstained from voting on the said Board resolutions.

LISTING RULES IMPLICATIONS

As the New Agreement was entered into within 12 months after completion of the Previous Acquisition and both the agreement in respect of the Previous Acquisition and the New Agreement were entered into between a member of the Group and the same connected person and/or his associates, the New 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 New Acquisition and the Previous Acquisition in aggregate under the Listing Rules is more than 25% but less than 100%, the New Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Accordingly, the New 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 Media Vendors were wholly-owned by Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company. As such, each of the Media 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 New Acquisition also constitutes a connected transaction for the Company. As the New Acquisition is not exempted from all or some of the requirements under Chapter 14A of the Listing Rules, it is subject to the announcement, reporting and Independent Shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules. Mr. Ng is considered to have material interests in the New Agreement and the transactions contemplated thereunder by virtue of his interests in the Media Vendors and the Media Group. As such, Mr. Ng and his associates are required to abstain from voting on the resolutions approving the New Agreement and the transactions contemplated thereunder in the EGM. The Company will seek the Independent Shareholders' approval for the New Acquisition at the EGM.

As at the date of this announcement, (i) Mr. Ng, an executive Director, the Chairman of the Board and a Substantial Shareholder of the Company, held 556,663,200 Shares, representing approximately 3.70% of the issued share capital of the Company; and (ii) Fung Shing Group Limited ("**Fung Shing**"), Parkfield Holdings Limited ("**Parkfield**"), Ronastar Investments Limited ("**Ronastar**") and Uni-spark Investments Limited ("**Uni-spark**") were interested in 3,866,417,184 Shares in aggregate, representing approximately 25.67% of the issued share capital of the Company. Fung Shing, Parkfield, Ronastar and Uni-spark are wholly-owned by Mr. Ng and, hence, the associates thereof. As such, Mr. Ng and his associates were collectively interested in 4,423,080,384 Shares (representing approximately 29.36% of the issued share capital of the Company) as at the date of the announcement.

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

APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee to advise the Independent Shareholders in connection with the New Agreement and the transactions contemplated thereunder. The Independent Board Committee has approved the appointment of Crescendo as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the New Agreement and the transactions contemplated thereunder.

GENERAL

The EGM will be convened to consider and, if thought fit, approve the New Agreement and the transactions contemplated thereunder. The circular containing, among others, (i) further details of the New Agreement and the transactions contemplated thereunder; (ii) the letter from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Crescendo to the Independent Board Committee and the Independent Shareholders in relation to the New Agreement and the transactions contemplated thereunder; and (iv) the notice of EGM, will be despatched to the Shareholders. As additional time is required to finalise the contents of such circular, the Company will despatch the circular to the Shareholders on or about 11 September 2017.

DEFINITIONS

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

"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, 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 New Agreement, which shall take place on the Completion Date
"Completion Accounts"	the unaudited consolidated financial statements of each of the 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 New Agreement
"Completion Date"	the next Business Day immediately following the date on which all the conditions precedent to the New Acquisition have been fulfilled or waived (if applicable), or such other date as the parties to the New Agreement agree in writing
"connected person"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration for the acquisition of the entire issued share capital of the Media Target Companies, which is subject to adjustment in accordance with the terms of the New Agreement, as detailed in the sub-section headed

	"Consideration and adjustment to Consideration" under the section headed "The New Agreement" in this announcement
"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
"Crescendo"	Crescendo Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders advising on the terms of the New Agreement and the transactions contemplated thereunder
"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, approve the New Agreement and the transactions contemplated thereunder
"Former Media Vendors"	the vendors of the Media Group under the Original Agreement, being, Vendor 1, Vendor 2, Vendor 3 and Vendor 4
"Former Vendors"	collectively, Vendor 1, Vendor 2, Vendor 3, Vendor 4 and Tek Lee
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars
"Hong Kong"	the 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 New 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 New Agreement (i.e. Shareholders other than Mr. Ng and his close associates)

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Media Consideration"	the total consideration for the acquisition of Media Target Companies, which was subject to adjustments in accordance with the terms of the Original Agreement
"Media Group"	collectively, Target Company 1, Target Company 2, Target Company 3, Target Company 4 and the respective subsidiaries thereof
"Media Target Companies"	Target Company 1, Target Company 2, Target Company 3 and 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, a Substantial Shareholder of the Company and the ultimate beneficial owner of each of the Media Vendors
"New Acquisition"	the conditional acquisition of the entire issues share capital of the Media Target Companies by the Purchaser from the Media Vendors at the Consideration pursuant to the New Agreement
"New Agreement"	the agreement dated 14 July 2017 entered into between the Purchaser and the Media Vendors in relation to the New Acquisition
"New Tenancy Agreement(s)"	tenancy agreement(s) to be entered into between Copthorne (as landlord) and the member(s) of the Media Group as designated by the Purchaser (as tenant) in relation to the lease of the Premises
"Original Agreement"	the agreement dated 31 March 2017 entered into between the Purchaser and the Former Vendors in relation to the Previous Proposed Acquisition
"PRC"	the People's Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement)
"Premises"	the premises known as (i) Units A and B, 3rd Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong; and (ii) Unit

	B, 12th Floor, Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong, both being owned by Copthorne
"Previous Acquisition"	the acquisition of the entire issued share capital of Golden Ways Limited and Media Bonus Limited by the Group, as disclosed in the announcement and circular of the Company dated 3 November 2016 and 29 December 2016, respectively, and approved by the independent shareholders of the Company at the extraordinary general meeting held on 17 January 2017
"Previous Proposed Acquisition"	the conditional acquisition of the entire issued share capital of each of the Media Target Companies and Super Giant by the Purchaser in accordance with the terms of the Original Agreement
"Purchaser"	Perfect Mind Ventures Limited, a company with limited liability incorporated under the laws of BVI and a direct wholly-owned subsidiary of the Company
"Reorganisation"	the (i) disposal of the entire issued share capital of a direct wholly-owned subsidiary of Target Company 4, namely Jessica Foundation Limited (a company limited by shares incorporated in Hong Kong) at cost to any member of the group of companies comprising Broaden Base Investments Limited, Vendor 2, Vendor 4 and their respective holding companies, subsidiaries and fellow subsidiaries (but excluding the members of the Media Group) or other party(ies) as Vendor 4 may designate, being step (i) of the Reorganisation; and (ii) cessation of Target Company 4's membership of Jessica Charitable Foundation Limited (a company limited by guarantee not having a share capital and incorporated in Hong Kong of which Target Company 4 is the sole member as at the date hereof)
"SCHC"	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the ordinary shares therein listed on the Main Board of the Stock Exchange (stock code: 00413)
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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"	Super Giant Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Tek Lee as at the date of this announcement
"Target Company 1"	Perfect Riches Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 1 as at the date of this announcement
"Target Company 2"	Super Bellax Ltd., a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 2 as at the date of this announcement
"Target Company 3"	Great Ready Assets Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 3 as at the date of this announcement
"Target Company 4"	Jade Fountain Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of Vendor 4 as at the date of this announcement
"Tek Lee"	Tek Lee Finance and Investment Corporation Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Ng indirectly as at the date of this announcement
"Vendor 1"	Nicemate Investments Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Ng indirectly as at the date of this announcement
"Vendor 2"	Jessica Publications (BVI) Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Ng indirectly as at the date of this announcement
"Vendor 3"	Win Gain Investments Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Ng directly as at the date of this announcement

"Vendor 4"	Ace Market Investments Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Ng directly as at the date of this announcement
"%"	per cent.

By Order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Yuk Mui Jessica
Executive Director

Hong Kong, 14 July 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.