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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)**

### **CONNECTED AND DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF 85% ISSUED SHARE CAPITAL OF KING LINK INVESTMENTS LIMITED**

#### **ACQUISITION**

On 23 July 2018 (after trading hours), the Company and OVT entered into the SPA, pursuant to which the Company has agreed to acquire or procure the acquisition of and OVT has agreed to dispose of or procure the disposal of the Sales Shares at the Consideration, subject to and in accordance with the terms and conditions of the SPA.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. Ng, a connected person of the Company, indirectly holds 15% issued share capital of the Target Company. Given Mr. Ng's directorship of the Company and his 15% shareholding interest in the Target Company, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25% and the Consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **PRINCIPAL TERMS OF THE SPA**

<b>Date</b>	23 July 2018
<b>Parties</b>	(1) the Company (as purchaser);  (2) OVT (as vendor); and  (3) the Target Company

### **Acquisition**

The Company has agreed to acquire or procure the acquisition of and OVT has agreed to dispose of or procure the disposal of the Sale Shares free from encumbrances. As at the date of this announcement, the Target Company is a subsidiary of Sleek City Limited, a company incorporated in the British Virgin Islands, which is a wholly-owned subsidiary of OVT, and the Target Company directly owns approximately 65.50% equity interest in the PRC Subsidiary.

### **Consideration**

The Consideration was determined after arm's length negotiation between the Company and OVT with reference to the market value of 85% interest in the Target Group as at 30 April 2018 amounting to approximately HK\$4,800,000 as arrived at in the Valuation Report by using the market approach.

The Consideration will be settled in full on the Completion Date by a cashier order drawn on a licence bank in Hong Kong (or such other settlement method as mutually agreed by the parties thereto) by the Company or any other person as directed by the Company.

### **Conditions precedent**

Completion is conditional upon satisfaction of, among others, the following conditions precedent:

- (a) the Board having approved the execution of the SPA and the transaction(s) contemplated thereunder;
- (b) the shareholders at a general meeting of the Company (where applicable pursuant to the Listing Rules and any other relevant laws and regulations) having approved the execution of this Agreement and the transactions contemplated thereunder;
- (c) the Company being satisfied with the results of due diligence review to be conducted on all respects of the Target Group, including but not limited to financial, legal and compliance and operational;
- (d) the respective board of directors of OVT and the Target Company having approved the execution of the SPA and the transactions contemplated thereunder;

- (e) the shareholders at a general meeting of OVT (where applicable pursuant to the Listing Rules and any other relevant laws and regulations) having approved the execution of this Agreement and the transactions contemplated thereunder;
- (f) OVT has obtained all authorizations, approvals, consents, permits, clearance or waivers from or filing of any kind with any government or regulatory authority necessary to be obtained under the applicable laws, rules or regulations (including but not limited to the Listing Rules) in connection with the entering into and performance of the SPA in each jurisdiction where each of OVT and members of the Target Group is subject to;
- (g) OVT has complied with all applicable laws, rules and regulations including the Listing Rules, and there is no material adverse comment received by OVT from regulatory authorities including the Stock Exchange, in relation to the disposal of the Sale Shares; and
- (h) the Sale Shares must be free from any and all Encumbrances.

None of the conditions may be waived unless otherwise mutually agreed in writing by the parties to the SPA. If any of the conditions set out above have not been fulfilled by 5:00 p.m. (Hong Kong time) on the date falling sixty (60) days immediately following the date of the SPA or such later date as the parties thereto may agree, the SPA shall lapse automatically and be of no further effect and no parties to the SPA shall have any claim against or liability to the other party, save and except any antecedent breaches of the terms thereof.

#### **Pre-Completion undertaking**

- (a) OVT covenants with the Company that it shall not further dispose of any interest in or create any encumbrances over the Sale Shares from the date of the SPA and up to the Completion Date.
- (b) OVT covenants with the Company that, from the date of the SPA and up to Completion, except for transactions contemplated under the SPA, or acts done in the ordinary and usual course of business or day-to-day operations, or anything done with the prior written consent of the Company, it shall (insofar as it is within its power to do so) procure that each member of the Target Group shall:
  - (a) use its reasonable endeavours to preserve the goodwill of the business of the Target Group;
  - (b) use its reasonable endeavours to maintain in full force and effect all existing insurance policies on substantially similar material terms with a level of cover similar to that in force at the date of the SPA and not to do, or omit to do, anything which is likely to make any of such insurance policies void or voidable, result in any claim not being paid out by the insurers or any material increase in the premium payable under such policies; and
  - (c) make any claim to which it is entitled under the insurance policies in respect of the business of the Target Group without unreasonable delay and in accordance with the terms of such policies and notify the Company of any such claim without unreasonable delay.

## **Completion**

Upon fulfilment of all the conditions precedent set out in the SPA, Completion shall take place on the Completion Date (or such other date as the parties to the SPA may mutually agree).

Upon Completion, the Company will own 85% of the issued share capital of the Target Company and the Target Group will be accounted for as an indirect subsidiary of the Company.

## **INFORMATION OF THE PARTIES**

### **Information of the Company**

The Company is incorporated in Hong Kong, and the ordinary shares of which are listed on the Stock Exchange (stock code: 00619). The Company through its subsidiaries is principally engaged in securities, commodities, bullion and forex broking and trading; margin financing and money lending; provision of corporate advisory and underwriting services; asset and wealth management; property investment, media publications and financial public relation; and investment holding.

### **Information of OVT**

To the Board's best knowledge, information and belief having made all reasonable enquiries, OVT is a company incorporated in the Cayman Islands and having its ordinary shares listed on the Stock Exchange (stock code: 00265), and is a third party independent of the Company. OVT through its subsidiaries is principally engaged in the provision of diversified tourism products such as air tickets and other travel related services (including travel related property development and investment). In addition, OVT is engaged in trading and retail of jewellery products, provision of financial services and other investment holding business.

### **Information of the Target Group**

#### The Target Company

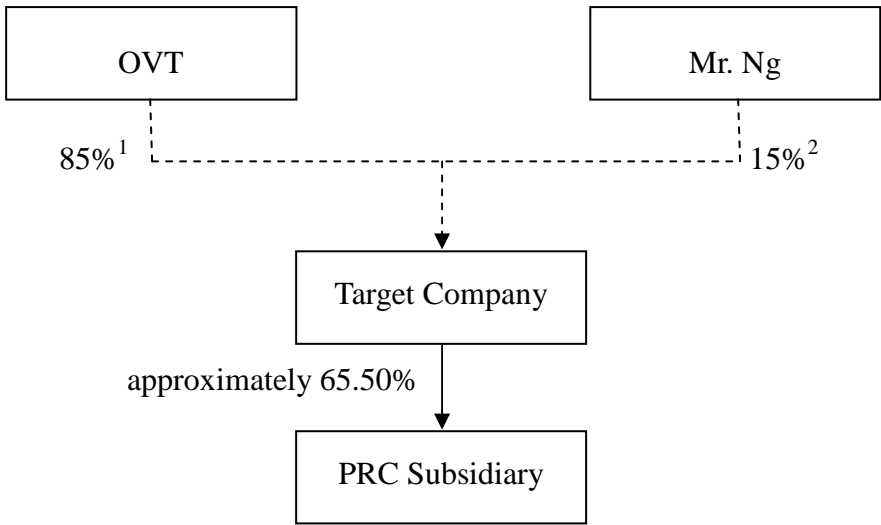
The Target Company is a company incorporated in Hong Kong. As advised by OVT, the Target Company is an investment holding company. As at the date of this announcement, the Target Company is an indirect subsidiary of OVT, which does not hold any investment other than its approximately 65.50% equity interest in the PRC Subsidiary.

#### The PRC Subsidiary

The PRC Subsidiary is a company incorporated in the PRC with limited liability. As advised by OVT, the PRC subsidiary is principally engaged in sales and distribution of jewellery products, e.g. precious stones, jade, gold and silver through flagship store and counters of large department stores in Nanjing, the PRC.

**SHAREHOLDING STRUCTURE OF THE TARGET GROUP**

As at the date of this announcement



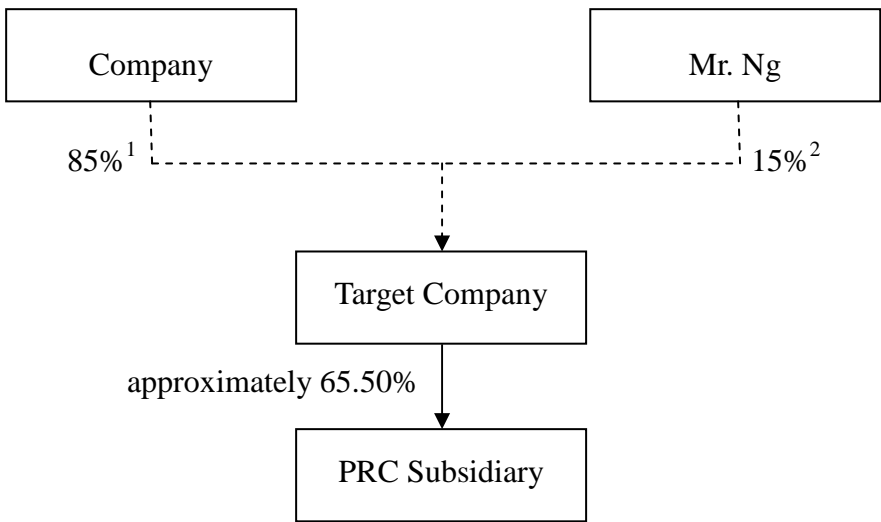
<sup>1</sup> OVT has an indirect interest in the Target Company through its wholly-owned subsidiary.

<sup>2</sup> Mr. Ng has an indirect interest in the Target Company through his wholly-owned subsidiary.

----- indirect interest

————— direct interest

After Completion



<sup>1</sup> The Company has an indirect interest in the Target Company through its wholly-owned subsidiary.

<sup>2</sup> Mr. Ng has an indirect interest in the Target Company through his wholly-owned subsidiary.

----- indirect interest

————— direct interest

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the financial information of all the Target Group based on the un-audited consolidated management accounts for two years ended 31 December 2016 and 2017:

	For the year ended 31 December 2017 (Unaudited) <u>HK\$'000</u>	2016 (Unaudited) <u>HK\$'000</u>
Revenue	26,539	30,265
Loss before tax	(2,985)	(2,217)
Loss after tax	(2,985)	(2,217)

As at 31 December 2017, the unaudited net asset value of the Target Group was approximately HK\$5,720,000 (of which non-controlling interests was approximately HK\$2,067,000).

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The 13<sup>th</sup> Five-Year Plan has a significant impact on the consumption behavior, especially the middle-class consumers. One of the policy directions of the 13<sup>th</sup> Five-Year Plan is to promote new consumption pattern, which in turn has led the demand for premium products has risen markedly. As per publicly available research information, it is expected that domestic demand for luxury goods in the PRC from 2018 to 2020 is expected to rocket up from about 50 billion Euros to about 74 billion Euros, i.e. a substantial increment of approximately 48% in these three years.

Given economic benefits from the high revenue generating luxury goods market in the PRC, it is expected that the Acquisition will not only enhance income of the Group but also widen the Group's investment opportunities in different business sectors.

By taking into account of the foregoing, the Board (including all independent non-executive directors) considered that the Acquisition is on normal commercial terms, and that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and its shareholders as a whole.

Mr. Ng, a connected person of the Company, is considered to have a material interest in the Acquisition by virtue of his directorship in the Company and his 15% indirect shareholding interest in the Target Company. Given the foregoing, Mr. Ng has abstained from voting on the Board meeting convened to approve the SPA and the transactions contemplated thereunder.

Ms. Cheung is also considered to have a material interest in the Acquisition by virtue of her directorship in the Company and directorship in the Target Company and the PRC Subsidiary. Given the foregoing, Ms. Cheung has abstained from voting on the Board meeting convened to approve the SPA and the transactions contemplated thereunder.

Save as disclosed above, no other Directors have abstained from voting on the Board meeting convened to approve the SPA and the transactions contemplated thereunder.

## LISTING RULES IMPLICATIONS

As at the date of this announcement Mr. Ng, an executive Director, the chairman of the Board and a substantial shareholder of the Company, indirectly holds 15% issued share capital of the Target Company. Given Mr. Ng is a substantial shareholder of the Target Company, the Acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed 5% but less than 25% and the Consideration is less than HK\$10,000,000, the Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares, subject to and in accordance with the terms and conditions of the SPA
“Board”	the board of Directors of the Company
“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong, and the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00619)
“Completion”	completion of the sale and purchase of the Sale Shares as contemplated under the SPA
“Completion Date”	the first Business Day after the conditions precedent set out in the SPA are fulfilled (or such later date as the parties thereto may agree in writing prior to Completion)
“Consideration”	a total consideration of HK\$4,800,000.00 for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Mr. Ng Hung Sang, an executive Director, the chairman of the Board and a substantial shareholder of the Company

“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive Director and the vice-chairman of the Board
“OVT”	Oriental Victory Travel Group Company Limited, a company incorporated in the Cayman Islands, and the ordinary shares of which are listed on Main Board of the Stock Exchange (stock code: 00265)
“PRC”	The People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“PRC Subsidiary”	南京南華寶慶珠寶首飾有限公司 (Nanjing South China Baoqing Jewellery Limited*), a company incorporated in the PRC, and a subsidiary of the Target Company
“Sale Shares”	85 fully paid-up ordinary shares of the Target Company, representing 85% issued share capital of the Target Company, of which Sleek City is the legal and registered owner
“Sleek City”	Sleek City Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of OVT
“SPA”	the sale and purchase agreement dated 23 July 2018 entered into between the Company, OVT and the Target Company, in relation to the sale and purchase of 85% issued share capital of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	King Link Investments Limited, a company incorporated in Hong Kong
“Target Group”	the Target Company and the PRC Subsidiary
“Valuation Report”	the valuation report in respect of the market value of 85% interest in the Target Group, prepared by Flapship Appraisal and Consulting Limited, an independent valuer
“%”	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, 23 July 2018



*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.*

*\* For identification purpose only*