THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South China Financial Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

PROPOSED SHARE CONSOLIDATION;
PROPOSED CHANGE IN BOARD LOT SIZE;
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 7 November 2018 at 10:00 a.m. is set out on page 10 of this circular. Resolutions will be proposed at the EGM to approve, among other things, the proposed Share Consolidation.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published at the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sctrade.com. Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and deposit the same to the share registrar of the Company, Union Registrars Limited of Suites 3301–4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM and in such event, the form of proxy shall be deemed revoked.

The resolution(s) proposed to be approved at the EGM will be taken place by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

18 October 2018

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In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"Board"	the board of Directors of the Company
"Business Day(s)"	a day (other than a Saturday, Sunday, public holding or any day on which a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal is hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks are generally open for businesses in Hong Kong during their normal business hours
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Change in Board Lot Size"	the proposed change in board lot size of the Existing Shares for the trading on the Stock Exchange from 50,000 Existing Shares to 2,000 Consolidated Shares
"Company"	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, and the ordinary shares of which are listed on the Main Board of the Stock Exchange (stock code: 00619)
"Consolidated Shares"	ordinary shares in the issued and unissued share capital of the Company upon the Share Consolidation having become effective
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Share Consolidation
"Existing Shares"	ordinary shares in the issued and unissued share capital of the Company before the Share Consolidation having become effective
"Group"	the Company and its subsidiaries
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	12 October 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Committee"	has the same meaning ascribed thereto in Rule 1.01 of the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Outstanding Options"	the rights granted under the Share Option Scheme to subscribe for ordinary shares of the Company in accordance with terms and conditions set out therein
"PRC"	The People's Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
"Share Consolidation"	the proposed share consolidation of every fifty (50) Existing Shares in issue into one (1) Consolidated Share
"Share Option Scheme"	the share option scheme of the Company adopted 5 June 2012
"Shareholder(s)"	the holder(s) of the Existing Share(s) or the Consolidated Share(s), as the case may be;
"Share(s)"	Existing Share(s) and/or Consolidated Share(s), as the case may be
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

The tentative timetable for the Share Consolidation and the Change in Board Lot Size is set out below:

Event	Time and date
Expected date of despatch of the circular with notice and proxy form of the EGM	Thursday, 18 October 2018
Latest date and time for lodging transfer documents in order to to qualify for attending and voting at the EGM	4:00 p.m. Thursday, 1 November 2018
Closure of register of members of the Company for the entitlement to attend and vote at the EGM	Friday, 2 November 2018 to Wednesday, 7 November 2018 (both days inclusive)
Latest time for lodging the proxy form of the EGM (not less than 48 hours prior to the time of the EGM)	10:00 a.m. Monday, 5 November 2018
Date and time of the EGM	10:00 a.m. Wednesday, 7 November 2018
Announcement of poll results of the EGM	Wednesday, 7 November 2018
Effective date of the Share Consolidation	Thursday, 8 November 2018
Commencement of dealings in the Consolidated Shares	9:00 a.m. Thursday, 8 November 2018
Original counter for trading in the Existing Shares in board lots of 50,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. Thursday, 8 November 2018
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. Thursday, 8 November 2018
First day of free exchange of the existing share certificates for new share certificates for the Consolidated Shares	Thursday, 8 November 2018
Original counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. Thursday, 22 November 2018

Event	Time and date
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. Thursday, 22 November 2018
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. Thursday, 22 November 2018
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. Wednesday, 12 December 2018
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends	4:00 p.m. Wednesday, 12 December 2018
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. Wednesday, 12 December 2018
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	Friday, 14 December 2018

All times and dates in this circular refer to Hong Kong local times and dates. Dates and deadlines for the events specified hereinabove are subject to satisfaction of all conditions of the Share Consolidation, and are therefore for indicative purpose only. Such dates and deadlines may be changed by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

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)

Executive Directors:
Mr. Ng Hung Sang *(Chairman)*
Ms. Cheung Choi Ngor *(Vice Chairman)*
Ms. Ng Yuk Mui Jessica
(Executive Vice Chairman and Chief Executive Officer)

Independent Non-executive Directors:
Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

Registered office:
28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

18 October 2018

To the Shareholders and, for information only, the holders of share options of the Company

Dear Sir or Madam,

PROPOSED SHARE CONSOLIDATION; PROPOSED CHANGE IN BOARD LOT SIZE; AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 8 October 2018 in relation to the proposed Share Consolidation and Change in Board Lot Size.

The purpose of this circular is provide you with further information regarding, among other things, (i) the Share Consolidation; (ii) the Change in Board Lot Size; and (iii) notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every fifty (50) Existing Shares in issue will be consolidated into one (1) Consolidated Share upon the Share Consolidation becoming effective.

Effects of the Share Consolidation

As at the Latest Practicable Date, the Company had 15,063,853,500 Existing Shares in issue. Assuming that no new Existing Shares are issued or repurchased from the date hereof until the effective date of the Share Consolidation, 301,277,070 Consolidated Shares will be in issue.

The Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the articles of association of the Company. Other than expenses to be incurred in relation to the Share Consolidation, implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save and except any fractional Consolidated Shares to which the Shareholders may be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

(i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM; and

(ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares to be in issue.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange. Upon the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing, or permission to deal in, the Consolidated Shares is being or is proposed to be sought.

Outstanding Options

As at the Latest Practicable Date, there were 20,717,950 Outstanding Options. Under the relevant terms and conditions of the Share Option Scheme, the Share Consolidation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon exercise of the Outstanding Options pursuant to the terms thereof. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

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

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in the board lot size of 50,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 50,000 Existing Shares to 2,000 Consolidated Shares upon the Share Consolidation becoming effective.

Based on the closing price of HK$0.021 per Existing Share (equivalent to the closing price of HK$1.05 per Consolidated Share) on the date of the Company's announcement dated 8 October 2018, the value of each board lot of 2,000 Consolidated Shares (assuming that the Share Consolidation had already become effective) would be HK$2,100. The Change in Board Lot Size will not, by itself, affect any rights of the Shareholders.

OTHER ARRANGEMENTS

Fractional Consolidated Shares

Fractional Consolidated Shares, if any, arising from the Share Consolidation will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a Shareholder in the Existing Shares regardless of the number of share certificates held by such Shareholder.

Odd lots arrangement and matching service

In order to facilitate the trading of odd lots, if any, of the Consolidated Shares, the Company has appointed South China Securities Limited to provide matching service, on a best effort basis, to those Shareholders who wish to purchase odd lots for making up a full board lot, or to sell their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Thursday, 22 November 2018 to 4:00 p.m. on Wednesday, 12 December 2018 (both days inclusive). Shareholders who wish to use this matching service should contact Mr. Lee Tak Sing of South China Securities Limited at 28th Floor, Bank of China Tower, No. 1 Garden Road, Central, Hong Kong or the telephone number (852) 3102 1159 during office hours of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lot arrangement are recommended to consult their own professional advisers.

Free exchange of Consolidated Shares certificates

Subject to the Share Consolidation becoming effective which is expected to be on Thursday, 8 November 2018, the Shareholders may during the period from Thursday, 8 November 2018 to Friday, 14 December 2018 (both days inclusive) between 9:00 a.m. and 4:00 p.m. on any Business Day, submit their existing share certificates for the Existing Shares in green color to the Company's share registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares in pink color.

Thereafter, each existing share certificate for the Existing Shares will be accepted for exchange only on payment of a fee of HK$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) for each share certificate for the Existing Shares cancelled or each new share certificate issued for the Consolidated Shares, whichever the number of share certificates cancelled/ issued is higher. The existing share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates the Consolidated Shares at any time after 4:00 p.m. on Wednesday, 12 December 2018, but will cease to be valid for delivery, trading and settlement purposes.

REASONS FOR THE SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK$0.01 or HK$9,995.00, the issuer is required either to change the trading method or to proceed with a consolidation or splitting of its securities. In view of the recent trading price of the Existing Shares, the Board proposes to implement the Share Consolidation. It is expected that the Share Consolidation will enable the Company to avoid the occurrence of non-compliance with the trading requirements under the Listing Rules. Furthermore, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Consolidated Shares. Accordingly, the Board considers that the Share Consolidation and the Change in Board Lot Size are the most feasible option which would be in the interests of the Company and the Shareholders as a whole as the board lot value after the Share Consolidation, calculated based on the closing price on the date of the Company's announcement dated 8 October 2018, will be HK$2,100 which is over HK$2,000 (the minimum transaction costs for a securities trade), while not making the cost for each board lot being too high.

Other than the relevant expenses, including but not limited to professional fees and printing charge to be incurred by the Company, the implementation of the Share Consolidation and Change in Board Lot Size will not alter the underlying assets, business operations, management or the financial position of the Company or the interests of the Shareholders. The Board believes that the Share Consolidation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Group.

As at the Latest Practicable Date, the Company has no plans for any further corporate action or arrangement that may affect the trading in its Shares.

RECOMMENDATION

The Directors consider that the Share Consolidation and the Change in Board Lot Size are in the interest of the Company and the Shareholders as a whole and so recommended all Shareholders to vote in favour of the relevant resolution approving the Share Consolidation to be proposed at the EGM.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

GENERAL

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the resolution(s) relating to the Share Consolidation to be proposed at the EGM and no Shareholder is required to abstain from voting on such resolution(s) at the EGM.

Shareholders and potential investors should be aware that the Share Consolidation is conditional upon satisfaction of all conditions precedent set out in the paragraph having heading of "Conditions of the Share Consolidation" in this circular, and the Change in Board Lot Size is conditional upon the Share Consolidation becoming effective. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company, and are recommended to consult their professional advisers if they are in doubt about any of the matters set out in this circular.

Yours faithfully
By order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Cheung Choi Ngor
Executive Director

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of South China Financial Holdings Limited (the "**Company**") will be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Wednesday, 7 November 2018 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT** subject to and conditional upon, among others, the granting by The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") of the listing of, and permission to deal in, the Consolidated Shares (as defined below) to be in issue upon the Share Consolidation (as defined below) becoming effective, with effect from the first day of trading of the Stock Exchange immediately following the date on which this resolution is passed:

(a) every fifty (50) issued ordinary shares in the share capital of the Company be consolidated ("**Share Consolidation**") into one (1) ordinary share (each a "**Consolidated Share**") in the share capital of the Company;

(b) all of the Consolidated Shares shall rank *pari passu* in all respects with each other;

(c) any fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and not be issued to the shareholder(s) of the Company concerned, but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors of the Company ("**Directors**") may think fit; and

(d) the Directors and such person or persons authorised by the Directors be and are hereby authorised to do all such acts and things and to sign and execute all such documents, including under seal where applicable, on behalf of the Company, as they shall, in their absolute discretion, consider necessary, desirable or expedient to implement and give effect to any or all of the foregoing."

Yours faithfully
By order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Cheung Choi Ngor
Executive Director

18 October 2018

Notes:

1. The register of members of the Company will be closed from Friday, 2 November 2018 to Wednesday, 7 November 2018 (both days inclusive) during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Union Registrars Limited at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 1 November 2018.

2. A member entitled to attend and vote at the EGM (or any adjourned meeting thereof) is entitled to appoint one or more proxies to attend and on a poll vote in his/her stead in accordance with the Articles of Association. A proxy need not be a member of the Company.

3. In order to be valid, a proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited with the Company's share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude any member from attending and voting in person at the EGM (or any adjourned meeting thereof), should he/she so wish.

4. In the case of joint shareholdings, any one of such persons may vote, either personally or by proxy in respect of such share, provided that if more than one of such joint holders be present at the meeting (or any adjournment thereof), personally or by proxy, the more senior shall alone be entitled to vote and for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the joint holding.

5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will publish an announcement on the website of the Company at www.sctrade.com and on the website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and venue of the rescheduled meeting.

6. Voting of the resolutions as set out in this notice will be by poll.