

DATE: 3 July 2019

SOUTH CHINA FINANCIAL HOLDINGS LIMITED
(as Company)

and

Uni-Spark Investments Limited
(as Underwriter)

UNDERWRITING AGREEMENT

relating to a Rights Issue of
451,915,605 Rights Shares
(in the proportion of three (3) Rights Shares
for every two (2) Shares held on the Record Date) in
SOUTH CHINA FINANCIAL HOLDINGS LIMITED
at HK\$0.42 per Rights Share payable in full on acceptance

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THIS AGREEMENT is dated the 3rd July 2019

BETWEEN:

- (1) **South China Financial Holdings Limited**, a company incorporated under the laws of Hong Kong with limited liability whose principal office is at 28/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong ("**Company**"); and
- (2) **Uni-Spark Investments Limited**, a company incorporated in Hong Kong and having its registered office at 28/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong ("**Underwriter**");

WHEREAS:

- (A) The Company is a company incorporated in Hong Kong whose Shares are listed on the Stock Exchange. As at the date hereof, there are 301,277,070 Shares are in issue.
- (B) As at the date hereof, the Company has outstanding Share Options entitling holders thereof to subscribe for an aggregate of 155,385 Shares. Save as mentioned above, the Company does not have any pre-existing obligation to issue Shares or any outstanding share options, derivatives or securities which are convertible or exchangeable into Shares.
- (C) The Company proposes to offer to the Qualifying Shareholders, by way of rights, a total of 451,915,605 Rights Shares on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date.
- (D) Mr. Ng Hung Sang ("**Mr. Ng**"), Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited, Uni-Spark Investments Limited and Mr. Ng Yuk Yeung Paul (collectively the "**Undertaking Shareholders**") are interested in an aggregate of 100,161,607 Shares. The Undertaking Shareholders have agreed by way of the Irrevocable Undertaking, inter alia, to accept the provisional allotment of 150,242,410 Rights Shares under the Rights Issue, being their full entitlements under the Rights Issue.
- (E) 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 Rights Shares (in their nil-paid and fully-paid forms).
- (F) Pursuant to Rules 7.21(1)(b) and 7.21(2) of the Listing Rules, as the Underwriter is a shareholder of the Company and is indirectly wholly owned by Mr. Ng, the substantial shareholder of the Company, the Company has made arrangement with Opus Capital Limited (the "**Bookrunner**") to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares to Independent Third Parties on a best effort basis pursuant to the Placing Agreement. Any Rights Shares not placed by the Bookrunner shall be underwritten by the Underwriter.
- (G) The Underwriter has agreed to underwrite 301,673,195 Rights Shares, on the terms and subject to the conditions hereinafter appearing.

NOW IT IS HEREBY AGREED as follows:

1. Definitions

1.1 In this Agreement including the Recitals hereto, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement to be made by the Company concerning, among other matters, the Rights Issue, this Agreement, the Whitewash Waiver and change in use of proceeds, substantially in the form of the draft annexed hereto marked “A” (subject to such amendments as the Company and the Underwriter may agree);
“Audited Accounts”	the audited accounts of the Group for the financial year ended on the Audited Accounts Date;
“Audited Accounts Date”	31 December 2018;
“Board”	the board of Directors;
“business day”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business;
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
“Circular”	the circular to be made by the Company containing, among other matters, (i) further details of the Rights Issue, this Agreement, the Whitewash Waiver and change in use of proceeds; (ii) a letter of recommendation from the independent board committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee and the Independent Shareholders in relation to the Rights Issue, this Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM;
“close associate”	has the meaning ascribed to it under the Listing Rules;

“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended from time to time;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, effective from 3 March 2014, as amended from time to time;
“Conditions Precedent”	the conditions set out in Clause 2.1;
“Director(s)”	director(s) of the Company for the time being;
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Rights Issue, this Agreement and the Whitewash Waiver;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s);
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, based on legal advice to be provided by legal advisers in the relevant jurisdictions, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Shareholders”	the Shareholders other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; and (ii) any Shareholders who are involved in, or interested in, or have a material interest in this Agreement, the Rights Issue and/or the Whitewash Waiver (including the Underwriter and parties acting in concert with it);
“Independent Third Party(ies)”	an individual(s) or a company(ies) who/which is/are independent of and not connected with the Company and its connected persons (as defined in the Listing

	Rules);
“Irrevocable Undertaking”	the undertaking of even date executed by each of the Undertaking Shareholders, a copy of which is annexed hereto marked “B”;
“Latest Placing Date”	the latest date for the Bookrunner to place the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares, which is expected to be 11 September 2019 (or such later date as the Company and the Bookrunner may agree in writing);
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 5 September 2019 or such later time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares and if there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on such day, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same day instead; and (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on such day, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.;
“Latest Time for Termination”	4:00 p.m. on the first business day after the Latest Time for Acceptance, or such later time as may be agreed between the Company and the Underwriter;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time;
“NQW Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown in the register of members of the Company on the Record Date) which is/are outside Hong Kong;
“Optionholders’ Undertaking”	the undertaking of even date executed by each of the holders of the Share Options, substantially in the form of the draft annexed

	hereto marked “C”;
“Placing Agreement”	the placing agreement entered into on the even date between the Company and the Bookrunner in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Independent Third Party(ies) on a best effort basis;
“Prospectus”	the prospectus to be issued by the Company in connection with the Rights Issue in the agreed form expected to be dated the Prospectus Posting Date, including any supplemental prospectus supplemental thereto;
“Prospectus Documents”	the Prospectus and the Provisional Allotment Letter;
“Prospectus Posting Date”	22 August 2019 or such other date as may be agreed between the Company and the Underwriter, being the date of despatch of the Prospectus Documents;
“Provisional Allotment Letter”	the provisional allotment letter to be used in connection with the Rights Issue in the agreed form;
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders;
“Record Date”	21 August 2019 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue;
“Registrars”	Union Registrars Limited of Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong;
“Rights Issue”	the proposed issue of the Rights Shares on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under this Agreement;
“Rights Shares”	451,915,605 Shares (assuming no Share Options are exercised on or before the Record Date) proposed to be allotted and issued by the Company under the Rights Issue;

“SFC”	the Securities and Futures Commission of Hong Kong;
“Settlement Date”	the third business day after the Latest Placing Date or such later time as may be agreed between the Company and the Underwriter;
“Shareholder(s)”	holder(s) of Share(s);
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Share Options”	the options granted by the Company to subscribe for an aggregate of 155,385 Shares pursuant to the Share Option Scheme which are outstanding at the date of this Agreement and are capable of being exercised on or before the Record Date;
“Share Option Scheme”	the share option scheme of the Company adopted on 5 June 2012;
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which renders any of the warranties contained in Clause 10.1 untrue, inaccurate or misleading;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the issue price of HK\$0.42 per Rights Share at which the Rights Shares are proposed to be offered for subscription under the Rights Issue;
“subsidiary”	has the same meaning as in section 15 of the Companies Ordinance;
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC;
“Underwritten Shares”	301,673,195 Rights Shares, being the total number of Rights Shares to which holders of Shares as at the Record Date are entitled pursuant to the Rights Issue less such number of Rights Shares as are agreed to be taken up or procured to be taken up by the Undertaking Shareholders pursuant to the Irrevocable Undertaking;
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders;

“Verification Notes”	the verification notes to be prepared by Chiu & Partners, legal advisers to the Company as to Hong Kong laws, relating to the Prospectus;
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and the parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to this Agreement; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

- 1.2 References to the singular number include the plural and *vice versa* and references to one gender include every gender.
- 1.3 Any reference to a document being “in the agreed form” means in such form as may following the date of this Agreement be agreed between the Company and the Underwriter, both acting reasonably.
- 1.4 References to Clauses, Recitals and Schedules are to clauses of, recitals and schedules to this Agreement.
- 1.5 References in this Agreement to time are Hong Kong time.

2. Conditions Precedent

- 2.1 The obligations of the Underwriter under Clause 6 are conditional upon:
 - (1) the Independent Shareholders passing (i) the ordinary resolutions at the EGM to approve (aa) the Rights Issue; (bb) this Agreement and the transactions contemplated hereunder; and (ii) the special resolution at the EGM to approve the Whitewash Waiver;
 - (2) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
 - (3) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
 - (4) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date;
 - (5) each of the Undertaking Shareholders complying with his/its obligations

under the Irrevocable Undertaking;

- (6) each of the holders of the Share Options providing their respective Optionholders' Undertaking, and complying with his/her obligations under their respective Optionholders' Undertaking;
 - (7) this Agreement not being terminated by the Underwriter pursuant to the terms hereof on or before the Latest Time for Termination;
 - (8) there being no breach of the undertakings and obligations of the Company under the terms of this Agreement before and at the Latest Time for Termination;
 - (9) the Placing Agreement not being terminated on or before the Latest Time for Termination; and
 - (10) the Executive having granted the Whitewash Waiver to the Underwriter.
- 2.2 The Company shall use all reasonable endeavours to procure the fulfillment of the Conditions Precedent in Clause 2.1(1) to (6) and (8) by the Latest Time for Acceptance and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the fulfillment of all the Conditions Precedent.
- 2.3 The Conditions Precedent set out in Clauses 2.1(1) to 2.1(7), 2.1(9) and 2.1(10) are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition set out in Clause 2.1(8) in whole or in part by written notice to the Company.
- 2.4 If the Conditions Precedent set out in Clause 2.1 are not satisfied (or, if applicable, waived in whole or in part by the Underwriter) by the Latest Time for Acceptance and/or the Conditions Precedent in Clause 2.1(8) does not remain fulfilled (unless waived by the Underwriter pursuant to Clause 2.3) up to the Latest Time for Termination, this Agreement shall terminate (save in respect of any provisions of Clause 8.2, 11, 14 and 16) and no party will have any claim against any other party for cost, damages, compensation or otherwise (save in respect of any rights or obligations which may have accrued under this Agreement prior to such termination).

3. Publication of the Announcement

- 3.1 Subject to approval by the Stock Exchange and/or the SFC (if required), the Company shall use its reasonable endeavours to procure the publication of the Announcement on the websites of the Company and the Stock Exchange respectively as soon as reasonably practicable following the signing of this Agreement.

4. Provisional Allotment of Rights Shares

- 4.1 Subject to fulfillment of the Conditions Precedent in Clause 2, on or before the Prospectus Posting Date, the Company shall:
- (1) procure that the Rights Shares are provisionally allotted by a resolution of the Board on the terms set out in the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date;
 - (2) following the issue of a certificate of authorisation of registration under

section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, procure a copy of the Prospectus Documents (duly signed by or on behalf of two Directors in accordance with section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) to be delivered to the Registrar of Companies in Hong Kong for registration together with any other documents required by applicable law or regulation to be annexed thereto on or before the Prospectus Posting Date;

- (3) subject to the provision of Clause 4.1(2) and subject as hereinafter provided, procure the posting of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date; and
- (4) deliver to the Underwriter certified copies of the resolutions referred to in Clauses 2.1(1) and 4.1(1) and the following documents on or before the Prospectus Posting Date:
 - (a) evidence of approval from the Stock Exchange that the Prospectus Documents are authorised for registration pursuant to Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
 - (b) copies of the signed letters from each of the Directors accepting responsibility for the Prospectus Documents, in the terms set out in the Prospectus and signed statements of interests of each of the Directors concerning matters to be disclosed in the Prospectus;
 - (c) the Verification Notes duly signed by or on behalf of each of the Directors; and
 - (d) certified signed copies of letters from the auditors of the Company addressed to the Company in relation to their review of the indebtedness statement and cashflow projections as set out in the Prospectus and their opinion on the Directors' working capital sufficiency statement of the Group as set out in the Prospectus.

4.2 The Rights Shares, when allotted and fully-paid, shall rank *pari passu* in all respects with the Shares then in issue on the date of allotment of the Rights Shares in fully-paid form, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.

4.3 The Company shall arrange (i) Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium as set out in Clause 5.2; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders (i.e. the Unsubscribed Rights Shares), to be placed to Independent Third Parties by the Bookrunner on a best effort basis. Any Unsubscribed Rights Shares not placed by the Bookrunner shall be underwritten by the Underwriter.

5. Excluded Shareholders and fractional entitlements

5.1 Unless the Board otherwise resolves having taken into account of the opinion of its legal advisers of the relevant jurisdictions in which the Overseas Shareholders are situated, the Company shall, on or within two (2) business days after the Prospectus Documents are posted to the Qualifying Shareholders in accordance with Clause

4.1(3), post copies of the Prospectus (without the Provisional Allotment Letter) marked "For Information Only" to the Excluded Shareholders.

- 5.2 The Company shall provisionally allot the Rights Shares, which represent the entitlements of the Excluded Shareholders to a nominee of the Company in nil-paid form and the Company shall procure that such nominee shall endeavour to sell the rights as soon as practicable after dealings in nil-paid Rights Shares commence and in any event on or before the last day of dealings in nil-paid Rights Shares at a net premium (nil-paid). If and to the extent that such rights can be so sold, the nominee shall account to the Company for the net proceeds of sale (after deducting the expenses of sale, if any), on the basis that the net proceeds after deducting the expenses of sale (if any) attributable to the sale of the Rights Shares that would otherwise have been allotted to the Excluded Shareholders shall be distributed pro rata to their shareholdings as at the Record Date (but rounded down to the nearest cent) to the Excluded Shareholders provided that individual amounts of HK\$100 or less shall be retained by the Company for its own benefit. Any of such nil-paid rights which are not sold as aforesaid will be dealt with as Rights Shares not accepted in accordance with Clause 6.2.
- 5.3 No fractional entitlements to the Rights Shares will be allotted to the Shareholders. All such fractional entitlements will be aggregated and shall be dealt with as Rights Shares not accepted in accordance with Clause 6.2.

6. Underwriting Obligations

- 6.1 The Underwriter's obligations under this Clause shall be discharged if:
- (1) before the Latest Time for Acceptance, Provisional Allotment Letters in respect of all the Underwritten Shares (including any Rights Shares falling within the provisions of Clause 5.2) have been lodged for acceptance (whether by the persons to whom the Underwritten Shares were provisionally allotted or by renounces of the right to accept allotment) in accordance with the terms of the Prospectus Documents, together with cheques or bankers' cashier orders or other remittances for the full amount payable thereunder which are honoured on first or, at the discretion of the Company after consultation with the Underwriter, subsequent presentation (the Underwritten Shares comprised in Provisional Allotment Letters which are so lodged together with such remittances are herein referred to as having been "**accepted**" and cognate expressions shall be construed accordingly); or
 - (2) all the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares have been fully placed ("**Placed Shares**") to Independent Third Parties by the Bookrunner on or before 5:00 p.m. on the Latest Placing Date.
- 6.2 If, however, (i) by the Latest Time for Acceptance any of the Underwritten Shares have not been taken up; and (ii) any Unsubscribed Rights Shares have not been placed to the Independent Third Parties pursuant to the Placing Agreement on or before 5:00 p.m. on the Latest Placing Date ("**Untaken Shares**"), the Company shall as soon as practicable thereafter and in any event before 6:30 p.m. on the Latest Placing Date notify or procure the Registrar on behalf of the Company to notify the Underwriter in writing of the number of Untaken Shares, and the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (so far as the same are applicable) for such Untaken Shares not taken up by 7:00 p.m. on the Latest Placing Date in full (including unsold entitlement of the Excluded Shareholders as set out in Clause 5.2 and unsold fractions of the Rights Shares as set

out in Clause 5.3.

- 6.3 The Underwriter shall (subject to this Agreement not having been terminated by the Underwriter pursuant to the provisions hereof), after the receipt of the notification referred to in Clause 6.2 but not later than 6:00 p.m. on the Settlement Date, pay or procure payment to the Company by way of banker's draft or cashier's order drawn on a bank in Hong Kong or such other way as agreed between the Company and the Underwriter of the aggregate Subscription Price in respect of the Underwritten Shares for which it is obliged to subscribe or procure subscription in accordance with this Clause. The Company shall arrange for delivery to the Underwriter or its nominee of share certificates in respect of the fully paid Underwritten Shares for which the Underwriter has subscribed or procured subscription in such names and in such denominations as the Underwriter may reasonably require at the same time as share certificates are despatched generally to persons who have accepted Rights Shares or, where the Underwriter has designated an investor participant or CCASS participant stock account for deposit of all or part of the Rights Shares, evidence to the satisfaction of the Underwriter that such documents and instructions required to effect the crediting of such Rights Shares have been signed or given, as the case may be.
- 6.4 The Underwriter further undertakes to the Company that in the event of it being called upon to subscribe for or procure subscription for the Untaken Shares pursuant to Clause 6.2, in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to Clause 6.3, it agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules, including entering into sub-underwriting agreement to place out its Shares.
- 6.5 The Company shall notify the Underwriter as soon as practicable thereafter of fulfillment by the Undertaking Shareholders of their obligations under the Irrevocable Undertaking and whether the conditions referred to therein (if any) have been fulfilled and in any event by not later than the Latest Time for Acceptance.

7. Obligations of the Underwriter

- 7.1 Any transaction carried out by the Underwriter pursuant to Clause 6 (other than the obligation to subscribe or procure subscription for any Underwritten Shares pursuant to Clause 6.2 and the obligations contained in Clause 7.2) shall constitute a transaction carried out at the request of the Company and as its agent and not in respect of the Underwriter's own account. The Underwriter (in relation to Clause 6) shall not be responsible for any loss or damage to any persons arising from any such transaction or for any alleged insufficiency of any dealing price at which any of the Rights Shares may be sold by any such person or for the timing of any such transaction, except where such loss or damage arises from the gross negligence or default of that Underwriter or any agent appointed by it for such purpose.
- 7.2 In acting as agent of the Company hereunder, the Underwriter shall comply with all applicable laws and shall not do or omit anything, the doing or omission of which shall or may cause the Company or any of its Directors to be in breach of any applicable laws, and in particular, but without prejudice to the generality of the foregoing, shall ensure that all offers made by it of the Rights Shares are made only in compliance with all applicable laws and regulations and do not require the registration of the Prospectus Documents or any of them or any other document as a prospectus or otherwise in any jurisdiction other than Hong Kong and the

Underwriter shall not make or purport to make on behalf of the Company any representation or warranty not contained in the Prospectus Documents.

7.3 The Underwriter shall remain liable for all acts and omissions of any sub-agent(s) appointed by it and shall procure the compliance by each sub-agent with all relevant obligations and provisions to which the Underwriter is subject to or by which the Underwriter is bound by this Agreement.

7.4 The Underwriter shall use its best endeavours to ensure that (i) sub-writer(s), if any, are Independent Third Party(ies); and (ii) the public float requirements under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

8. Fees and Expenses

8.1 In consideration of the Underwriter's obligations under this Agreement to underwrite the Underwritten Shares and the Underwriter's services in connection with the issue of the Rights Shares, the Company shall by not later than the date of despatch of the share certificates in respect of the Rights Shares make the following payments:

- (1) a commission of two (2) per cent. of the aggregate Subscription Price in respect of the number of the Underwritten Shares; and
- (2) all costs and other out-of-pocket expenses properly incurred by the Underwriter in respect of the Rights Issue (including the legal fees incurred by such Underwriter in respect of the Rights Issue contemplated under this Agreement which shall be borne by the Company).

8.2 Payment of the amounts referred to in Clause 8.1(1) shall be made only if the obligations of the Underwriter under this Agreement has become unconditional (whether or not the Underwriter is called upon to subscribe or procure subscription of the Untaken Shares) and has not been terminated pursuant to Clause 12 and payment of the amounts in Clause 8.1(2) is payable to the Underwriter whether or not the obligations of the Underwriter under this Agreement become unconditional or are terminated pursuant to Clause 12.

8.3 The amounts payable by the Company to the Underwriter pursuant to Clause 8.1 may be set off against the amounts payable by such Underwriter to the Company pursuant to Clause 6. In the event of an Underwriter not being called upon to subscribe or procure subscription pursuant to Clause 6.2 and/or the amount of the subscription moneys payable by an Underwriter to the Company being less than the full amount payable by the Company to such Underwriter, the amounts payable pursuant to Clause 8.1, or the balance thereof, shall be due and payable as soon as reasonably practicable and in any event not later than the date of despatch of the share certificates in respect of the Rights Shares or such other date as may be agreed between the Company and the Underwriter.

8.4 The Company shall bear its own legal fees, accountancy and other professional fees, the Registrars' fees, the cost of printing and distribution of the Announcement, the Circular, the Prospectus Documents and all amendments and supplements thereto and all other costs, charges and expenses relating to the issue of the Rights Shares and associated transactions (including, without limitation, all fees payable to (i) the Stock Exchange in connection with the listing of the Rights Shares; and (ii) the SFC in connection with the Whitewash Waiver). The Company shall upon request by the Underwriter reimburse such Underwriter for any such expenses as are referred to above which such Underwriter may have paid or incurred on behalf of the Company

as soon as practicable.

9. Announcements

Save as expressly required hereunder or as otherwise required by the Stock Exchange or the SFC, no public announcement or communication to the Shareholders or to the Stock Exchange or to the SFC concerning the Company and/or its subsidiaries which is material in relation to the Rights Issue shall be made or despatched by the Company or the Underwriter between the date hereof and, (i) if all the Underwritten Shares are taken up, the Latest Time for Acceptance; or (ii) in any other case, the time at which the Underwriter is obliged to make payment under Clause 6, without prior written approval from the Company and the Underwriter as to the content, timing and manner of making or despatch thereof.

10. Representations, Warranties and Undertakings

10.1 The Company represents and warrants to and undertakes with the Underwriter in the following terms:

- (1) the facts stated in the Recitals (A), (B) and (D) to this Agreement are true and accurate in all material respects;
- (2) all statements of fact contained or to be contained in the Announcement, the Circular and the Prospectus Documents are and will at the date of issue thereof be true and accurate in all material respects and not misleading and all expressions of opinion, intention and expectation expressed therein are and will be fair and made after due and careful consideration;
- (3) there will be no information not disclosed in the Circular and/or Prospectus Documents (i) the omission of which makes any statement therein misleading or which, in the context of the issue of the Rights Shares, is material for disclosure therein; or (ii) which is necessary to enable investors to make an informed assessment of the activities, assets and liabilities, financial position, profits and losses and prospects of the Group;
- (4) save as disclosed in the Audited Accounts, the audited consolidated balance sheet of the Group as at the Audited Accounts Date, the audited consolidated profit and loss account of the Group for the financial year ended on the Audited Accounts Date (including the notes thereto) were prepared in accordance with the applicable law and on a basis consistent with that adopted in preparing the audited accounts for the previous financial year in accordance with accounting principles, standards and practices generally accepted in Hong Kong so as to give (except to the extent (if any) disclosed therein) a true and fair view of the state of affairs of the Group as at the Audited Accounts Date and the profit or loss of the Group for the year ended on the Audited Accounts Date;
- (5) the statements, forecasts, estimates and expressions of opinion to be contained in the Announcement, the Circular and the Prospectus have been and will at the respective dates of issue thereof be made after due and proper consideration, are and will at the respective dates of issue thereof be fair and honest and represent reasonable expectations based on facts known to the Company and/or the Directors or any of them;
- (6) all information necessary for the purpose of, or in the course of preparation of,

the Announcement, the Circular and the Prospectus, and the replies to the Verification Notes, or which ought reasonably to have been disclosed or made available by the Company or the Directors was so disclosed or made available to its legal advisers (if any) fully, fairly and accurately and the replies to the Verification Notes (which will be prepared or approved by persons having appropriate knowledge and responsibility to enable them to properly provide such replies) given by the Company and the Directors will be true, accurate and complete in all material respects and not misleading and will contain all material information and particulars with regard to the subject matter thereof;

- (7) each of the companies in the Group is duly incorporated in and under the laws of its place of incorporation and has full power and authority to conduct its business as now being carried on, has conducted its business in all material respects in accordance with all applicable laws and regulations of Hong Kong or any other jurisdiction relevant to any member of the Group;
- (8) neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration, prosecution or other legal proceeding of material importance nor is there any such proceeding pending or threatened against the Company or any of its subsidiaries, nor is there any claim or fact likely to give rise to any claim, in each case which may have or has had a significant adverse effect on the financial position of the Group taken as a whole or which is material in the context of the Rights Issues. For the purpose of this Clause, proceeding includes any action by any governmental, public or regulatory authority (including investment exchange or any authority or body which regulates investment business or takeovers or which is concerned with regulatory, licensing, competition and taxation matters);
- (9) except as disclosed in the Circular and the Prospectus (if any), neither the Company nor any of its subsidiaries has since the Audited Accounts Date entered into any contract or commitment of an unusual or onerous nature which, in the context of the Rights Issue is material for disclosure, nor do any of them has entered or intend to enter into any contract or commitment which if it were entered into would be required to be disclosed under the Takeovers Code or would be a notifiable transaction within the meaning of the Listing Rules and which requires approval by the Shareholders (and assuming for this purpose that no dispensation would be given by the Stock Exchange from the application of the relevant rule(s));
- (10) except as disclosed in the Announcement, the Circular or the Prospectus or other announcements published by the Company prior to the date hereof in accordance with the Listing Rules or otherwise as required by the Listing Rules, the Company and its subsidiaries has carried on its business in the ordinary and usual course and there has been no material adverse change in the financial or trading position of the Group as a whole or any non-compliance of the Listing Rules or the Takeovers Code which has not been completely and properly disclosed by the Company in all material respects in the form of an announcement in accordance with the Listing Rules or the Takeovers Code or otherwise as required by the Listing Rules or the Takeovers Code;
- (11) no order has been made and no resolution has been passed for the winding up of, or for a provisional liquidator to be appointed in respect of, the Company or any of its subsidiaries, and no petition has been presented and no meeting

has been convened for the purpose of winding up any of the same; no receiver has been appointed in respect of the Company or any of its subsidiaries or all or any material part of its assets; none of the Company nor any of its subsidiaries is insolvent, or unable to pay its debts within the meaning of section 178 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, or has stopped paying its debts as they fall due; no voluntary arrangement between any member of the Group and any of its creditors has been made and no unsatisfied judgment which is material to the condition of the Group is outstanding against the Company or any of its subsidiaries;

- (12) the Prospectus Documents will contain all particulars and information required by, and will be in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the rules and regulations of the Stock Exchange and all other relevant ordinances and governmental regulations in Hong Kong, if applicable, and the publication of the Announcement and the issue and despatch of the Prospectus Documents shall not result in any breach of or default under any agreement, trust deed or instrument to which any member of the Group is a party;
- (13) all statements of fact contained in each announcement by the Company since the Audited Accounts Date were, when made, true and accurate in all material respects and not misleading and all statements of opinion, intention and expectation expressed therein were, when made, fair and made after due and careful consideration and none of such statements were rendered materially untrue or misleading by the omission of any fact or matter;
- (14) except as disclosed in the Announcement, the Circular and the Prospectus Documents, no material outstanding indebtedness or guarantee or indemnity of any liability of the Company or any of its subsidiaries has become payable by reason of default by the Company or any of its subsidiaries and no event has occurred or is pending which with the lapse of time or the fulfillment of any condition or the giving of notice or the compliance with any other formality may result in any such indebtedness or guarantee or indemnity of any liability becoming so payable;
- (15) the Company has power under its constitution, has taken all necessary corporate or other action, and no other consents, actions, authorisations or approvals are necessary to enable or authorise it other than obtaining the consents and approvals referred to in Clause 2.1:
 - (a) to issue and allot the Rights Shares required to be provisionally allotted pursuant to the terms of this Agreement in accordance with the Prospectus Documents without any sanction;
 - (b) to deal with the Rights Shares attributable to the Excluded Shareholders as may be specified in the Prospectus Documents; and
 - (c) to enter into and perform its obligations under this Agreement and to make the Rights Issue;
- (16) the Rights Shares, when fully paid, shall be free from all liens, charges, encumbrances and third party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects among themselves and with the Shares then in issue, including the right to receive all dividends and

distributions which may be declared, made or paid on or after the date of issue of the Rights Shares;

- (17) the obligations of the Company under this Agreement constitute legal, valid and binding obligations of the Company enforceable in accordance with the terms herein;
 - (18) the Company has available and sufficient authorised share capital to allot and issue the Right Shares;
 - (19) all written information relating to the Group supplied by the Company to the Underwriter for the purposes of the Underwriter's review of the working capital projections of the Group is, or will be when so supplied, accurate in all material respects and is not by itself or by omission misleading; and
 - (21) other than pursuant to the Rights Issue, the Company shall not, from the date hereof until completion of the Rights Issue, without the Underwriter's prior written consent issue any Shares or issue or grant any share options (including, for the avoidance of doubt, further options under the share option scheme of the Company) or other securities convertible into, exchangeable for or which carry rights to acquire Shares.
- 10.2 The Company undertakes not to cause or permit or not to omit to do anything which would cause any Specified Event to occur prior to the Latest Time for Termination, and, if this Agreement is not rescinded pursuant to Clause 12, all such warranties, representations and undertakings contained in Clause 10.1 above shall be deemed to have been repeated as at the Latest Time for Termination with reference to the facts and circumstances then subsisting.
- 10.3 If any Specified Event shall occur or come to the knowledge of the Company prior to the Latest Time for Termination, it shall forthwith give notice to the Underwriter of the same.
- 10.4 Each of the paragraphs in Clause 10.1 shall be construed separately and independently and shall not be limited or restricted by reference to or inference from any other paragraphs of Clause 10.1 or other provisions of this Agreement.
- 10.5 The foregoing provisions of this Clause 10 will continue in full force and effect notwithstanding the completion of the Rights Issue.

11. Indemnity

- 11.1 The Company shall on demand indemnify the Underwriter, its representatives, partners, directors, officer, employees, assignees and agents (collectively, the "**Indemnified Parties**" and individually, an "**Indemnified Party**") and shall on demand hold the Indemnified Parties indemnified against all loss or liability of any nature (including, without limitation, claims, costs, charges and expenses) whatsoever arising from or in respect of any breach by the Company of any provision of this Agreement, or any claim which may be brought or threatened to be brought against the Indemnified Parties (whether or not such claim is successfully compromised or settled) in each case arising out of or in relation to or by reason of the performance by the Underwriter of its obligations hereunder (and provided that such loss or liability is not connected with any failure by the Indemnified Parties to comply with its obligations under this Agreement) as a result of:

- (1) the Prospectus Documents not containing all the information required by law or pursuant to the rules of the Stock Exchange or other relevant authority or body to be stated therein or on the grounds that any statement, estimate or forecast contained in the Prospectus Documents is untrue, inaccurate or misleading in any material respect;
- (2) a breach by the Company or any of the Directors or any of the employees of the Company of the provisions of this Agreement or an action or omission of the Company or any of the Directors or any of the employees of the Company resulting in a breach of any of the provisions of this Agreement;
- (3) the Prospectus Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made by a sophisticated investor of the assets and liabilities, financial position, profits and losses, and prospects of the Group or of the rights attaching to the Rights Shares;
- (4) any untrue statement of a fact contained in the Announcement, the Circular and the Prospectus Documents and all amendments and supplement thereto;
- (5) any claims and proceedings arising out of matters which constitute a breach of the representations and warranties in Clause 10;
- (6) any breach of the laws or regulations of any country resulting from the allotment or issue of the Rights Shares or the distribution of the Prospectus Documents;
- (7) any material misrepresentation of the Company or any of the Directors or any employee of the Company in the Announcement or the Prospectus Documents; or
- (8) the allotment or issue of the Rights Shares,

including in any such case (but without prejudice to the generality of the foregoing) all reasonable costs, charges and expenses of whatever nature which the Indemnified Parties may properly incur or bear in disputing any such claim made against it or establishing any claim on its part under this Clause 11 provided that this indemnity shall not relate to any claims, proceedings, costs or expenses arising from any gross negligent act or wilful default, on the part of the Indemnified Parties and that the conduct of the defence (including any settlement of any such claim) shall be carried out by the Indemnified Parties after, and on the basis of, consultation with the Company.

- 11.2 The Company shall not make any claim against the Indemnified Parties to recover any damages which the Company may suffer arising out of the performance by any of the Indemnified Parties of its obligations hereunder, provided that such damages do not arise from any gross negligent act or wilful default on the part of the Indemnified Parties.
- 11.3 If any of the Indemnified Parties becomes aware of any claim relevant for the purposes of Clause 11.1, it shall give notice in writing thereof to the Company and shall take such action as the Company may reasonably request to avoid, dispute, resist, defend or appeal against the claim and any adjudication in respect thereof but subject to such Indemnified Party being fully indemnified and secured to its satisfaction against all losses and expenses to which it might thereby render itself liable to suffer

and incur including, without limitation, legal expenses properly incurred by its legal advisers.

- 11.4 All amounts subject to indemnity under this Clause 11 shall be paid by the Company as and when they are incurred within fifteen (15) business days of a written notice demanding payment being given to the Company by or on behalf of the Indemnified Parties.
- 11.5 This Clause 11 shall remain in full force and effect notwithstanding the completion of the Rights Issue in accordance with this Agreement or the termination of this Agreement.

12. Rescission and Termination

- 12.1 If, prior to the Latest Time for Termination, one or more of the following events or matters shall occur, arise, exist, or come into effect:
- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) after the signing of this Agreement;
 - (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of this Agreement or continuing after the signing of this Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
 - (3) any material adverse change after the signing of this Agreement in the business or in the financial or trading position of any member of the Group;
 - (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of this Agreement;
 - (5) after signing of this Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
 - (6) there is, after signing of this Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the People's Republic of China or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of this Clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or
 - (7) the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its

compliance with any laws or the Listing Rules or the Takeovers Code or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company,

which event or events is or are in the reasonable opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares “taken up”; or
- (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

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

12.2 The Underwriter shall be entitled by notice in writing to rescind this Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in Clause 10 above comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

12.3 If prior to the Latest Time for Termination any such notice as is referred to in Clause 12.1 or 12.2 is given by the Underwriter, the obligations of all parties under this Agreement (save in respect of this Clause 12 and the provisions of Clause 11 which shall remain in full force and effect and save further that the Company shall pay the fees and expenses specified in Clause 8 (subject to Clause 8.2)) shall terminate forthwith. For the avoidance of doubt, the Underwriter shall not be entitled to give a notice pursuant to Clause 12.1 or Clause 12.2 at any time after the Underwriter's obligations under Clause 6 have terminated pursuant to Clause 6.1.

12.4 If this Agreement is terminated by the Underwriter at such time before the Latest Time for Termination but after the Underwriter has in accordance with Clause 6.4 paid or procured payment to the Company of the aggregate Subscription Price in respect of the Underwritten Shares for which the Underwriter is obliged to subscribe or procure subscription under the provisions of Clause 6, the Company shall, not later than the end of the second business day after (but not including) the date of receipt of the notice of termination issued by the Underwriter pursuant to Clause 12.1 or Clause 12.2, remit to the Underwriter such amount which it has received from the Underwriter for subscription of the relevant Underwritten Shares. For the avoidance of doubt, notwithstanding the payment of any sum by or on behalf of the Underwriter to the Company, the obligation of the Company under Clause 8.2 shall be fulfilled and the amount referred to in Clause 8.1(1) shall not be payable in the event that this Agreement is terminated pursuant to this Clause 12.

12.5 Rescission or termination of this Agreement under this Clause 12 shall be without prejudice to any rights of any party in respect of any breach by the other prior to such

rescission or termination.

13. Time of the Essence

- 13.1 Any time, date or period mentioned in this Agreement may be extended by mutual agreement between the parties hereto, but as regards any time, date or period originally fixed or any time, date or period so extended as aforesaid, time shall be of the essence.

14. Notices

- 14.1 Any notice required to be given hereunder will be deemed to be duly served if left at or sent by hand, or facsimile transmission or pre-paid post to the registered office or to the following addresses and facsimile numbers and marked for the attention of the following persons:

<u>Party</u>	<u>Address</u>	<u>Facsimile number</u>
The Company:	28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong Attn: The Board of Directors	(852) 2524 2576
Underwriter:	28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong Attn: Ms. Cheung Choi Ngor	(852) 2537 7482

- 14.2 Any such notice will be deemed to be served if sent by facsimile on receipt of answerback, if sent by hand at the time when the same is handed to or left at the address of the party to be served, and if sent by post on the day (excluding Sundays or Hong Kong public holidays) after the day of posting.

15. Miscellaneous

- 15.1 Counterparts: This Agreement may be executed in any number of counterparts which when executed and delivered is an original, but all the counterparts together constitute the same document. Any of the parties hereto may execute this Agreement on a facsimile copy counterpart and deliver its signature and seal by facsimile provided that a party executing this Agreement by facsimile shall deliver to all other parties such facsimile copy counterpart within 7 days after delivering the same by facsimile.
- 15.2 Compromise or indulgence: Any liability of any party hereunder to any other party may in whole or in part be released, compounded or compromised and time or indulgence may be given by any party hereunder as regards any other party under such liability without prejudicing that party's rights against any other person under the same or a similar liability.

16. Governing Law

- 16.1 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong.
- 16.2 The parties hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong but this Agreement may be enforced in any other court in competent

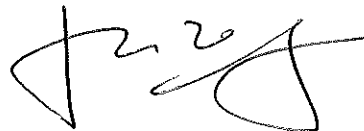
jurisdiction.

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IN WITNESS WHEREOF this Agreement has been entered into the day and year first above written.

THE COMPANY

SIGNED by Ng Yuk Mui Jessica)
for and on behalf of)
SOUTH CHINA FINANCIAL HOLDINGS LIMITED)
in the presence of: Watt Ka Po James)



SIGNED by Cheung Choi Ngor

UNI-SPARK INVESTMENTS LIMITED

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ANNEX A

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

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



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY TWO SHARES
HELD ON THE RECORD DATE;
(II) APPLICATION FOR WHITEWASH WAIVER;
(III) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER; AND
(IV) CHANGE IN USE OF PROCEEDS**

Financial Adviser to the Company



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK\$189.8 million (before expenses) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date by issuing 451,915,605 Rights Shares at the Subscription Price of HK\$0.42 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

The estimated gross proceeds and net proceeds (after the deduction of the costs and expenses which the Company will incur in the Rights Issue) amount to approximately HK\$189.8 million and HK\$184.7 million, respectively. The Company intends to apply the net proceeds from the Rights Issue for the following purposes: (i) approximately HK\$170 million for the increase of the capital base of the Group in order to meet the new regulatory standards; and (ii) approximately HK\$14.7 million for use as the Group's general working capital.

Irrevocable Undertakings, Optionholders' Undertakings and the Underwriting Agreement

As at the date of this announcement, Mr. Ng, together with his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited), and Mr. Paul Ng hold in aggregate 88,461,607 Shares and 11,700,000 Shares, respectively, representing approximately 29.36% and 3.88% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his close associates, namely, the Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited (refer to the section headed "Shareholding Structure of the Company" for details), and Mr. Paul Ng have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 132,692,410 Rights Shares (in aggregate), and 17,550,000 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before completion or, where applicable, lapse of the Rights Issue.

As at the date of this announcement, the Company has 155,385 outstanding Share Options. As at the date of this announcement, each of the holders of the Share Options has signed an Optionholders' Undertaking not to exercise the Share Options granted to him/her prior to completion or, where applicable, lapse of the Rights Issue.

On 3 July 2019, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter (in addition to the obligations of Mr. Ng and his close associates, and Mr. Paul Ng under their respective Irrevocable Undertaking) has conditionally agreed to fully underwrite 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in this announcement.

Listing Rules Implications

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules since there is no controlling shareholder. As such, Mr. Ng, Ms. Jessica Ng, Ms. Cheung, and their respective associates shall abstain from voting in the resolution to approve the Rights Issue at the EGM.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company and an executive Director and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules, and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WHITEWASH WAIVER

Assuming no acceptance by the Qualifying Shareholders under the Rights Issue (other than acceptance pursuant to the Irrevocable Undertakings) and no placement made under the Compensatory Arrangements, the Underwriter will be required to take up 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) referred to in the paragraph headed "Irrevocable Undertakings, Optionholder' Undertakings and the Underwriting Agreement" above, in full, and it will result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) from approximately 38.98% of the existing issued share capital of the Company to approximately 75.59% of the then enlarged issued share capital of the Company immediately after completion of the Rights Issue. Accordingly, the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Lego Corporate Finance has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and as to voting.

A circular containing, among others, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders in accordance with the Listing Rules and the Takeovers Code on or before 19 July 2019.

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

WARNING OF THE RISKS OF DEALING IN THE SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed "Termination of the Underwriting Agreement" under the section headed "The Underwriting Agreement" in this announcement). Accordingly, the Rights Issue may or may not proceed.

PROPOSED RIGHTS ISSUE

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise gross proceeds of approximately HK\$189.8 million (before expenses) on the basis of three (3) Rights Shares for every two (2) Shares held on the Record Date by issuing 451,915,605 Rights Shares at the Subscription Price of HK\$0.42 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

On 3 July 2019 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue. Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Shares held at the close of business on the Record Date
Subscription Price	:	HK\$0.42 per Rights Share
Number of Shares in issue as at the date of this announcement	:	301,277,070 Shares
Number of Rights Shares	:	451,915,605 Rights Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	753,192,675 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue
Amount to be raised	:	Approximately HK\$189.8 million before expenses

As at the date of this announcement, the Company has 155,385 outstanding Share Options, which can be exercised from 9 June 2018 to 8 June 2020.

Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 155,385 Shares (which entitle to 233,077 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the date of this announcement to the Record Date.

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

The 451,915,605 Rights Shares represents 150.00% of the Company's issued share capital as at the date of this announcement and 60.00% of the Company's issued share capital as enlarged by the Rights Issue immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

Fund raising methods comparison

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

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

Qualifying Shareholders

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

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 14 August 2019. It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 12 August 2019 and the Shares will be dealt with on an ex-rights basis from Tuesday, 13 August 2019.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date.

Closure of register of members

The register of members of the Company will be closed from Monday, 5 August 2019 to Friday, 9 August 2019 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Thursday, 15 August 2019 to Wednesday, 21 August 2019 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

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

Rights of Overseas Shareholders

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

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

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form during the period from Monday, 26 August 2019 to Monday, 2 September 2019 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any NQS Unsold Rights Shares will first be placed by the Bookrunner under the Placing Agreement together with the Unsubscribed Rights Shares, and if unsuccessfully sold, will be taken up by the Underwriter.

Net Gain (if any) will be paid pro-rata (but rounded down to the nearest cent) to the relevant No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong dollars on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares. The Company will retain individual amounts of less than HK\$100 for its own benefit.

For the nil-paid Rights Shares that were sold in the market by the Company and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subjected to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Subscription price

The Subscription Price for the Rights Shares is HK\$0.42 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 16.00% to the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 7.08% to the theoretical diluted price of approximately HK\$0.452 per Share taking into account the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 14.46% to the average of the closing prices of approximately HK\$0.491 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 14.81% to the average of the closing prices of approximately HK\$0.493 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 86.16% to the consolidated net asset value attributable to the Shareholders as at 31 December 2018 as extracted from the annual report of the Company for the year ended 31 December 2018 of approximately HK\$3.035 per Share as at 31 December 2018; and
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 9.60% represented by the theoretical diluted price of HK\$0.452 per Share to the benchmarked price of approximately HK\$0.500 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.500 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of approximately HK\$0.491 per Share).

The Board has observed the deep discount mentioned in (e) above. Nevertheless, taking into account the fact that the existing Shares were traded at a discount to the net asset value per existing Share over the 12-month period up to and including the Last Trading Day ranging from approximately 59.97% to 84.51%, with an average of approximately 76.25%, the Board (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) is of the view that the net asset value per existing Share may not be a meaningful reference to determine the Subscription Price.

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

- (i) the recent closing prices of the Shares;
- (ii) the prevailing market conditions;
- (iii) the historical closing price for the last 52 weeks;

- (iv) the Company recorded a loss of approximately HK\$239.8 million for the financial year ended 31 December 2018 and had net current asset of approximately HK\$414.9 million as at 31 December 2018. The expected amount to be raised by the Rights Issue represents approximately 20.8% of the Company's equity as at 31 December 2018 and approximately 126.0% of the Company's market capitalisation as at the Last Trading Day; and
- (v) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issues" below.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the financial conditions of the Group (including but not limited to the historical performance and the net asset value) and the market price of the Shares. While the Rights Issue is fully underwritten by the Underwriter, an existing Shareholder may make an informed decision in electing to accept or decline part of or all of his/her/its provisional allotment of nil paid rights. The Underwriter would be accepting the Rights Shares on the same price as any other Qualifying Shareholder.

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

In dollar terms, if the existing shareholders elect not to participate in the Rights Issue, there will be an approximately 9.6% dilution in value of shareholding in the Company from the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day to the theoretical diluted price of approximately HK\$0.452 per Share in the Company taking into account the closing prices of the Shares as quoted on the Stock Exchange on the Last Trading Day.

Mr. Ng, the Substantial Shareholder of the Company, the Chairman of the Board, an executive Director and the beneficial owner of the entire interests in the Underwriter, has abstained from voting on the relevant Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver in view of his material interests therein. Ms. Cheung has also abstained from voting on such Board resolutions given the common directorship in the Company and the Underwriter and, hence the deemed interests in the proposed transactions. Ms. Jessica Ng, the daughter of Mr. Ng, has abstained from voting on the said Board resolutions voluntarily on the ground of good corporate governance. Notwithstanding the above, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the

Company after having been advised by the Independent Financial Adviser) are of the view that the terms and structure of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), the subscription ratio and the potential dilution effect on the shareholding interests of the Qualifying Shareholders (which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares), are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that all Qualifying Shareholders are treated equally. The other Board members (being the independent non-executive Directors and, hence, the members of the Independent Board Committee which will form and express its view on the proposed transactions after having been advised by the Independent Financial Adviser and make recommendations to the Independent Shareholders accordingly) voted for the Board resolutions approving the Underwriting Agreement, the Rights Issue and the Whitewash Waiver.

Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director, is deemed to be interested in 53,000 Shares by virtue of his spouse's interest in such Shares. Save for the nominal interest in the abovementioned 53,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Underwriting Agreement, the Right Issue and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the Independent Financial Adviser, Hon. Raymond Arthur William Sears, Q.C. has no involvement in the aforesaid transactions.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.409.

Status of Rights Shares

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

Share certificates for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Wednesday, 18 September 2019 by ordinary post to the allottees, at their own risk, to their registered addresses.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares, if any, will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold fractions of Rights Shares will be underwritten by the Underwriter.

Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots of Rights Shares arising from the Rights Issue, the Company will arrange the odd lots matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Rights Shares. Details of the odd lots arrangement will be set out in the circular to be despatched to the Shareholders in respect of, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Application for listing

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

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

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

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements

Pursuant to Rule 7.21(2) of the Listing Rules, as the Underwriter, being the Shareholder and indirectly wholly-owned by Mr. Ng, acts as an underwriter of the Rights Issue, the Company must make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as required by Rule 7.21(2) of the Listing Rules.

The Company therefore appointed the Bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Bookrunner (including any other related expenses/fees), that is realised will be paid to those No Action Shareholders. The Bookrunner will, on a best effort basis, procure, by not later than 5:00 p.m., on Wednesday, 11 September 2019, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

THE PLACING AGREEMENT

On 3 July 2019 (after trading hours), the Company and the Bookrunner entered into the Placing Agreement, pursuant to which the Bookrunner has conditionally agreed to procure independent placees, on a best effort basis, to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the placing arrangement are as follows:

Date: 3 July 2019

Bookrunner: Opus Capital Limited was appointed as a bookrunner to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.

The Bookrunner confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company.

Fees and expenses: A fixed fee of HK\$100,000 and reimbursed for the expenses in relation to the placing (including but not limited to all out-of-pocket expenses actually incurred by the Bookrunner for placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares), which the Bookrunner is authorised to deduct from the payment to be made by the Bookrunner to the Company at the Placing Completion Date.

Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case maybe): The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price

The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement

Placees: The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who and whose ultimate beneficial owners, shall be Independent Third Parties

Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares: Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of this announcement

Termination: The Placing Agreement shall end on 30 September 2019 or any other date by mutual written agreement between the Bookrunner and the Company.

The Bookrunner may terminate the Placing Agreement without any liability to the Company, by notice in writing given by the Bookrunner to the Company at any time prior to 10:00 a.m. on the Placing Completion Date upon the occurrence of the following events which, in the absolute opinion of the Bookrunner, has or may have an adverse material effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement:

- (i) there develops, occurs or comes into force:
 - (a) any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions; or
 - (b) the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
 - (c) any change in conditions of local, national or international securities markets occurs; or
 - (d) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group; or
 - (e) a change or development occurs involving a prospective change of taxation or exchange control (or the implementation of exchange control) in Hong Kong or elsewhere; or

- (f) any litigation or claim being instigated against any member of the Group which would have a material adverse effect of the Group; or
- (g) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five Business Days; or
- (ii) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Bookrunner or any event occurs or any matter arises on or after the date hereof and prior to the Placing Completion Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (iii) there is any material adverse change in the financial or business or trading position of the Group taken as a whole; or
- (iv) there may or will be likely that the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will not be approved by the relevant regulatory bodies and/or regulatory authorities.

Conditions Precedent:

The Placing is conditional upon the following conditions:

- (i) the Independent Shareholders passing (a) the ordinary resolutions at the EGM to approve (1) the Rights Issue; (2) the Underwriting Agreement and the transactions contemplated thereunder; and (b) the special resolution at the EGM to approve the Whitewash Waiver;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;

- (iii) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;
- (iv) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;
- (v) each of the relevant Shareholders and Director complying with his/her/its obligations under the Irrevocable Undertakings;
- (vi) each of the holders of the Share Options providing their respective Optionholders' Undertaking, and complying with his/her obligations under their respective Optionholders' Undertaking;
- (vii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (viii) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement before and at the Latest Time for Termination;
- (ix) the Placing Agreement not being terminated on or before the Latest Time for Termination; and
- (x) the SFC having granted the Whitewash Waiver to the Underwriter.

The conditions precedent set out in paragraphs (i) to (vii), (ix) and (x) above are incapable of being waived by the Bookrunner and/or the Company. The Bookrunner may waive the condition precedent set out in paragraph (viii) in whole or in part by written notice to the Company.

If the conditions precedent set out in above paragraphs are not satisfied (or, if applicable, waived in whole or in part by the Bookrunner) on or prior to the Business Day immediately preceding the Placing Completion Date or such later date as may be agreed between the Company and the Bookrunner and approved by the Stock Exchange, the Placing Agreement shall terminate and none of the parties shall have any claim against another for costs, damages, compensation or otherwise save in respect of any antecedent breaches of the Placing Agreement.

Completion of the Placing: 16 September 2019 or such other date as the Company and the Bookrunner may agree in writing, being the third Business Day after the Latest Placing Day.

The engagement between the Company and the Bookrunner of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiation between the Bookrunner and the Company and is on normal commercial terms. The Directors, after considering placing fees as published on the Stock Exchange's website since March 2019 up to the date of this announcement, consider that the terms of placing agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms and believe that the expenses as typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders, the Directors considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE UNDERWRITING AGREEMENT

On 3 July 2019, the Underwriter and the Company entered into the Underwriting Agreement which is conditional upon, among other things, the Independent Shareholders' approval. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by Mr. Ng and his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited), and Mr. Paul Ng pursuant to their respective Irrevocable Undertakings.

Agreement date : 3 July 2019

Underwriter : Uni-Spark Investments Limited

The Underwriter is wholly-owned by Mr. Ng beneficially.

- Total number of Rights Shares underwritten by the Underwriter : 301,673,195 Rights Shares (having taken into account of the Irrevocable Undertakings and assuming no new Share being issued and no Share being repurchased on or before the Record Date and no placement made under the Compensatory Arrangements)
- Commission : The Underwriter will receive 2% of the aggregate Subscription Price of the Underwritten Shares as underwriting commission

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

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

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

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

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the prevailing share price of the Company; (ii) the current uncertainties and low market sentiment in the Hong Kong stock market; (iii) the historical closing price for the last 52 weeks; (iv) the latest business performance and financial position of the Group; and (v) the funding and capital needs of the Company. Given the over-subscription of the rights issue completed in June 2015 and slight under-subscription of the 2016 Rights Issue, the maximum dilution to all Qualifying Shareholders as a result of nil acceptance of the Rights Shares by them would unlikely occur.

Apart from the aforesaid factors, given that the maximum possible underwriting exposure of about HK\$126.7 million is quite a substantial amount taking into account the Company's financial position, the Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) consider that selecting a company wholly-owned by Mr. Ng, who is willing to support the continuing growth of the Group, as the underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole.

The Irrevocable Undertakings

As at the date of this announcement, Mr. Ng, together with his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited), and Mr. Paul Ng hold in aggregate 88,461,607 Shares and 11,700,000 Shares, respectively, representing approximately 29.36% and 3.88% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his close associates, namely the Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited (refer to the section headed "Shareholding Structure of the Company" for details), and Mr. Paul Ng have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of 132,692,410 Rights Shares (in aggregate) and 17,550,000 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before completion or, where applicable, lapse of the Rights Issue.

The Optionholders' Undertakings

As at the date of this announcement, the Company has 155,385 outstanding Share Options, which can be exercised from 9 June 2018 to 8 June 2020.

As at the date of this announcement, each of the holders of the Share Options has signed an Optionholders' Undertaking not to exercise the Share Options granted to him/her prior to completion or, where applicable, lapse of the Rights Issue.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

- (A) one or more of the following events or matters shall occur, arise, exist, or come into effect:
- (i) the introduction of any new regulation or any change in existing laws or regulations (or the judicial interpretation thereof) after the signing of the Underwriting Agreement;
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing after the signing of the Underwriting Agreement) of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
 - (iii) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurring after the signing of the Underwriting Agreement;
 - (v) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise;
 - (vi) there is, after signing of the Underwriting Agreement, any change or any development involving a prospective change in market conditions (including, without limitation, change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, in/on Hong Kong, the PRC or other jurisdiction relevant to any member of the Group and a change in currency conditions for the purpose of the clause in the Underwriting Agreement governing the termination of the Underwriting Agreement includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs; or

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

which event or events is or are in the reasonable opinion of the Underwriter:

- (a) is or are likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole;
 - (b) is or are likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
 - (c) makes it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,
- (B) any material breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the representations, warranties and undertakings in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (C) any Specified Event comes to the knowledge of the Underwriter,

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

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

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

Conditions of the Rights Issue

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

- (a) the Independent Shareholders passing (i) the ordinary resolutions at the EGM to approve (1) the Rights Issue; (2) the Underwriting Agreement and the transactions contemplated thereunder; and (ii) the special resolution at the EGM to approve the Whitewash Waiver (refer to the sections headed “Listing Rules Implications” and “Takeover Code Implications and Application for Whitewash Waiver” for further information);

- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked, the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (c) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;
- (e) each of the relevant Shareholders and Director complying with his/her obligations under the Irrevocable Undertakings;
- (f) each of the holders of the Share Options providing their respective Optionholders' Undertaking, and complying with his/her obligations under their respective Optionholders' Undertaking;
- (g) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (h) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement before and at the Latest Time for Termination;
- (i) the Placing Agreement not being terminated on or before the Latest Time for Termination; and
- (j) the Executive having granted the Whitewash Waiver to the Underwriter.

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

If the conditions precedent set out in above paragraphs are not satisfied (or, if applicable, waived in whole or in part by the Underwriter) by the Latest Time for Acceptance and/or the condition precedent set out in above paragraph (h) does not remain fulfilled (unless waived by the Underwriter in whole or in part) up to the Latest Time for Termination, the Underwriting Agreement shall terminate (save in respect of the provisions in relation to fees and expenses, indemnity, notices and governing law and any rights or obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise, and the Rights Issue will not proceed. The Irrevocable Undertakings shall lapse upon the termination of the Underwriting Agreement.

EXPECTED TIMETABLE FOR THE RIGHTS ISSUE

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

Event	2019
Announcement of the Rights Issue	Wednesday, 3 July
Expected despatch date of circular with notice and form of proxy for the EGM	Friday, 19 July
Latest time for lodging transfer of Shares to qualify for attendance and voting at EGM.....	4:00 p.m. on Friday, 2 August
Closure of register of members of the Company for attending the EGM (both days inclusive).....	Monday, 5 August to Friday, 9 August
Latest date and time for lodging forms of proxy for the purpose of the EGM.....	10:00 a.m. on Wednesday, 7 August
Record date for determining attendance and voting at EGM	Friday, 9 August
Expected date and time of the EGM	10:00 a.m. on Friday, 9 August
Announcement of poll results of EGM	Friday, 9 August
Last day of dealings in Shares on a cum-rights basis	Monday, 12 August
First day of dealings in Shares on an ex-rights basis.....	Tuesday, 13 August
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on Wednesday, 14 August
Closure of register of members of the Company for the Rights Issue (both days inclusive).....	Thursday, 15 August to Wednesday, 21 August
Record Date for determining entitlements to the Rights Issue	Wednesday, 21 August
Register of members of the Company re-opens.....	Thursday, 22 August
Despatch of Prospectus Documents.....	Thursday, 22 August
First day of dealings in nil-paid Rights Shares.....	9:00 a.m. on Monday, 26 August

Latest time for splitting nil-paid Rights Shares..... 4:00 p.m. on Wednesday, 28 August

Last day of dealings in nil-paid Rights Shares 4:00 p.m. on Monday, 2 September

**Latest time for lodging transfer documents of
nil-paid Rights Shares in order to qualify for the
Compensatory Arrangements..... 4:00 p.m. on Thursday, 5 September**

**Latest time for acceptance of, and payment for,
the Rights Shares..... 4:00 p.m. on Thursday, 5 September**

Latest time to terminate the Underwriting Agreement
and for the Rights Issue to become unconditional..... 4:00 p.m. on
Friday, 6 September

Announcement of the number of Unsubscribed
Rights Shares subject to the Compensatory
Arrangements and the NQS Unsold Rights Shares Monday, 9 September

Commencement of placing of Unsubscribed
Rights Shares and the NQS Unsold Rights Shares
by the Bookrunner..... Monday, 9 September

Latest time of placing of the Unsubscribed Rights
Shares and the NQS Unsold Rights Shares by
the Bookrunner 5:00 p.m. on Wednesday, 11 September

Announcement of results of the Rights Issue (including
results of the placing of Unsubscribed Rights Shares
and the NQS Unsold Rights Shares and the
amount of the Net Gain per Unsubscribed
Rights Shares under the Compensatory Arrangements
and the NQS Unsold Rights Shares)..... Tuesday, 17 September

Refund cheques, if any, to be despatched (if the
Rights Issue is terminated) on or before..... Wednesday, 18 September

Certificates for fully paid Rights Shares to be
despatched on or before Wednesday, 18 September

Designated broker starts to stand in the market
to provide matching services for
odd lots of Shares 9:00 a.m. on Wednesday, 18 September

Commencement of dealings in fully-paid
Rights Shares..... 9:00 a.m. on Thursday, 19 September

Payment of Net Gain to relevant
No Action Shareholders (if any)..... Thursday, 19 September

The last day for the designated broker to provide
matching services for odd lots of Shares 4:00 p.m. on Thursday, 10 October

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

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 301,277,070 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the date of this announcement to completion of the Rights Issue save for the following, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares fully placed to Independent Third Parties under the Compensatory Arrangements; and (iv) immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares taken up by the Underwriter:

	As at the date of this announcement		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares fully placed to Independent Third Parties under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares taken up by the Underwriter (Note 8)	
	Number of Shares	Approx.% (Note 7)	Number of Shares	Approx. % (Note 7)	Number of Shares	Approx. % (Note 7)	Number of Shares	Approx. % (Note 7)
The Underwriter (Note 1)	7,178,761	2.38	17,946,902	2.38	17,946,902	2.38	319,620,097	42.44
Fung Shing Group Limited (Note 1)	23,526,030	7.81	58,815,075	7.81	58,815,075	7.81	58,815,075	7.81
Parkfield Holdings Limited (Note 1)	44,623,680	14.81	111,559,200	14.81	111,559,200	14.81	111,559,200	14.81
Ronastar Investments Limited (Note 1)	1,999,872	0.66	4,999,680	0.66	4,999,680	0.66	4,999,680	0.66
Mr. Ng (Notes 1 and 2)	11,133,264	3.70	27,833,160	3.70	27,833,160	3.70	27,833,160	3.70
Mr. Paul Ng (Note 4)	11,700,000	3.88	29,250,000	3.88	29,250,000	3.88	29,250,000	3.88
Sub-total of the Underwriter,								
Mr. Ng and his associates	100,161,607	33.24	250,404,017	33.24	250,404,017	33.24	552,077,212	73.30
Ms. Cheung (Notes 2 and 5)	12,300,311	4.08	30,750,777	4.08	12,300,311	1.63	12,300,311	1.63
Mr. Gorges (Note 5)	5,000,000	1.66	12,500,000	1.66	5,000,000	0.66	5,000,000	0.66

	As at the date of this announcement		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Director who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares fully placed to Independent Third Parties under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than the Shareholders and Directors who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares taken up by the Underwriter (Note 8)	
	Number of Shares	Approx.% (Note 7)	Number of Shares	Approx. % (Note 7)	Number of Shares	Approx. % (Note 7)	Number of Shares	Approx. % (Note 7)
Sub-total of the Underwriter and parties acting in concert with it (Note 6)	117,461,918	38.98	293,654,794	38.98	267,704,328	35.53	569,377,523	75.59
Hon. Raymond Arthur William Sears, Q.C. (Notes 2 and 3)	53,000	0.02	132,500	0.02	53,000	0.01	53,000	0.01
Public Shareholders (excluding the Underwriter, the parties acting in concert therewith and Directors)	<u>183,762,152</u>	<u>61.00</u>	<u>459,405,381</u>	<u>61.00</u>	<u>485,435,347</u>	<u>64.46</u>	<u>183,762,152</u>	<u>24.40</u>
Total	<u>301,277,070</u>	<u>100.00</u>	<u>753,192,675</u>	<u>100.00</u>	<u>753,192,675</u>	<u>100.00</u>	<u>753,192,675</u>	<u>100.00</u>

Notes:

1. The Underwriter, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited are wholly-owned by Mr. Ng. As such, Mr. Ng is the beneficial owner of in the Shares held by such companies.
2. Mr. Ng, Ms. Cheung and Hon. Raymond Arthur William Sears, Q.C. are Directors.
3. The 53,000 Shares are the spouse interest of Hon. Raymond Arthur William Sears, Q.C.
4. Mr. Paul Ng is the son of Mr. Ng.
5. Ms. Cheung and Mr. Gorges are directors of the Underwriter.
6. The parties acting in concert with the Underwriter include Mr. Ng, Mr. Paul Ng, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited. The abovementioned companies are under the control of Mr. Ng (see Note 1 above). By virtue of being a director of the Underwriter, each of Ms. Cheung and Mr. Gorges is also a party acting in concert with it.
7. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

8. This scenario is for illustrative purpose only. The Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Rights Issue in compliance with Rule 8.08(1)(a) of the Listing Rules. For example, the Underwriter shall sub-underwrite its underwriting obligations under the Underwriting Agreement to sub-underwriter(s), which shall be Independent Third Party(ies), to ensure the public float shall not fall below 25% upon completion of the Rights Issue. The Company will make further announcement regarding the sub-underwriting arrangement as and when appropriate, prior to the publication of the circular of the company regarding, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

REASONS FOR THE RIGHTS ISSUE

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

The SFC has published the new Margin Financing Guidelines (“**Guidelines**”) in the gazette on 4 April 2019, which will be effective on 4 October 2019. Under the Guidelines, South China Securities Limited (“**SCS**”) which is one of the wholly-owned subsidiaries of the Company, is required to set up various limits in respect of its margin financing business. In addition, SCS is required to perform stress tests under different scenario as specified in the Guidelines. These various limits and stress tests are either benchmarked to the shareholders' fund or liquid capital defined under Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong). SCS has performed an assessment on the current margin loan portfolio and it is estimated that approximately HK\$170 million is required to be injected in SCS as its share capital to continue such business under the Guidelines.

As a result, the Directors consider that the Rights Issue will increase the capital base of the Group as well as provide additional funds at a reasonable cost to maintain its turnover for its margin financing business and to support the Group's continuing development and business growth and also give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company. Hence, it was considered that fund raising through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

In the event that the Rights Issue cannot proceed, the Company may consider to (i) scale-down the margin financing business and (ii) reduce both the number of clients and the size of the margin loan portfolio in order to meet the requirement under the Guidelines.

USE OF PROCEEDS

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

The gross proceeds from the Rights Issue amounts to approximately HK\$189.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, placing commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK\$184.7 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue for the following purposes: (i) approximately HK\$170 million for the increase of the capital base of the Group in order to meet the new regulatory standards; and (ii) approximately HK\$14.7 million for use as the Group's general working capital.

CHANGE IN USE OF PROCEEDS OF THE 2016 RIGHTS ISSUE

Reference is made to (i) the announcement of the Company dated 21 April 2016, circular of the Company dated 14 June 2016 and the prospectus of the Company dated 20 July 2016 in relation to the 2016 Rights Issue; and (ii) the annual results announcement of the Company dated 19 March 2019 in relation to the update on use of proceeds of the 2016 Rights Issue.

As disclosed in the annual results announcement of the Company dated 19 March 2019, the unutilised net proceeds from the 2016 Rights Issue have been reduced to HK\$302.6 million, of which (a) the amount of approximately HK\$280 million was designated for setting up of a securities joint venture in Mainland China; and (b) approximately HK\$22.6 million towards asset management related business. As at the date of this announcement, the amount of approximately HK\$280 million designated for setting up of a securities joint venture in Mainland China remains to be unutilised and are temporarily deployed in the Company's investment portfolio in short-term nature for treasury management purpose. As the Company is unable to seek appropriate partners to establish the aforementioned securities joint venture in Mainland China, the Board has resolved to reallocate the unutilised proceeds of approximately HK\$280 million from the 2016 Rights Issue for the development of the Group's existing trading and investment business.

Future fund raising exercises

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

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

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

The Company had not conducted any fund raising activities in the past 12 months immediately preceding the date of this announcement.

INFORMATION ON THE UNDERWRITER

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

LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued shares of the Company by more than 50%, the Rights Issue is conditional on approval by the Shareholders in the EGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules since there is no controlling shareholder. As such, Mr. Ng, Ms. Jessica Ng, Ms. Cheung and their respective associates shall abstain from voting in the resolution to approve the Rights Issue (refer to the table in the section headed “Shareholding Structure of the Company” in this announcement above for the Shares held by such Directors/Shareholders directly/indirectly) at the EGM.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company and an executive Director and the Chairman of the Board, holds the beneficial interests in all the issued share capital of the Underwriter. Therefore, the Underwriter is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, Mr. Ng, the Substantial Shareholder of the Company, an executive Director, the Chairman of the Board and the beneficial owner of the entire interests in the Underwriter, is interested in 88,461,607 Shares, representing approximately 29.36% of the total number of issued Shares. Also, Ms. Cheung and Mr. Gorges, each a party acting in concert with the Underwriter, owns 12,300,311 Shares and 5,000,000 Shares as at the date of this announcement, representing approximately 4.08% and 1.66% of the Shares currently in issue respectively. Each of Mr. Paul Ng and Ms. Jessica Ng, the son and the daughter of Mr. Ng, is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code by virtue of being a close relative of Mr. Ng. As at the date of this announcement, Mr. Paul Ng owns 11,700,000 Shares, representing approximately 3.88% of the Shares currently in issue, and Ms. Jessica Ng does not hold any Share and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Accordingly, the Underwriter and the parties acting in concert with it are interested in 117,461,918 Shares in aggregate, representing approximately 38.98% of the Shares currently in issue (refer to the section headed “Shareholding Structure of the Company” in this announcement for details).

Pursuant to the Underwriting Agreement, the Underwriter will subscribe for and take up 301,673,195 Rights Shares (including 18,450,466 Rights Shares and 7,500,000 Rights Shares that Ms. Cheung and Mr. Gorges are entitled to subscribe respectively) that are not subscribed for under the Rights Issue in the event that no Qualifying Shareholder (other than the Shareholders and Directors who have provided the Irrevocable Undertakings) takes up any Rights Share under the Rights Issue and no placement made under the Compensatory Arrangements.

If the Underwriter takes up the Underwritten Shares in full, it will result in an increase in the aggregate shareholding of the Underwriter and parties acting in concert with it (including but not limited to Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Gorges) in the Company from approximately 38.98% of the existing issued share capital of the Company to approximately 75.59% of the then enlarged issued share capital of the Company immediately after completion of the Rights Issue. As the Underwriter and parties acting in concert with it, currently as at the date of this announcement hold not less than 30%, but not more than 50%, of the voting rights of the Company collectively (refer to the section headed “Shareholding Structure of the Company” in this announcement for details), if any one or more of them (including the Underwriter) acquires additional voting rights and such acquisition has the effect of increasing their collective holding of voting rights of the Company by more than 2% from the lowest collective percentage holding of such persons in the 12 month period ending on and inclusive of the date of the relevant acquisition, the Underwriter and parties acting in concert with it would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it unless the Whitewash Waiver is granted.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, the approval of the Whitewash Waiver by at least 75% of the Independent Shareholders at the EGM by way of poll. The Underwriter and parties acting in concert with it and any Shareholder who is involved in, or interested in, the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver shall abstain from voting on the relevant resolutions at the EGM.

As at the date of this announcement, the Company does not believe that the Rights Issue gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the circular relating to, among others, the Rights Issue. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue do not comply with other applicable rules and regulations.

Save as disclosed in this announcement, (i) there is no consideration, compensation or benefit in whatever form paid or to be paid by the Group to the Underwriter or any party acting in concert with it in connection with the Rights Issue; (ii) there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and the Underwriter and any party acting in concert with it on the other hand; and (iii) there is no understanding, arrangement or agreement or special deal between (1) any Shareholder; and (2) the Underwriter and parties acting in concert with it, or the Company, its subsidiaries or associated companies.

Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Directors, is deemed to be interested in 53,000 Shares by virtue of his spouse's interest in such Shares. Save for the nominal interest in the abovementioned 53,000 Shares, which represents approximately 0.02% of the Share currently in issue, as a Shareholder, voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver and making recommendations to the Independent Shareholders after taking into account the advice of the Independent Financial Adviser, Hon. Raymond Arthur William Sears, Q.C. has no involvement in the aforesaid transactions. Thus, he is not required to abstain from voting on the resolutions approving the Rights Issue, the Underwriting Agreement and Whitewash Waiver at the EGM and is a member of the Independent Board Committee.

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

There has been no dealing of Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company by the Underwriter and parties acting in concert with it for the six months' period immediately prior to the date of this announcement.

As at the date of this announcement, the Underwriter and parties acting in concert with it are interested in 117,461,918 Shares (or approximately 38.98% of the issued share capital of the Company). Save as disclosed, the Underwriter and parties acting in concert with it:

- (a) do not hold or have any control or direction over any other shares, convertible securities, warrants or options of the Company, or any outstanding derivative in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) have not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Underwriting Agreement or the Rights Issue or the Whitewash Waiver; and
- (c) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

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

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

EGM

The register of members of the Company will be closed from Monday, 5 August 2019 to Friday, 9 August 2019 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

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

In accordance with the Listing Rules and the Takeovers Code, (i) the Underwriter and its respective associates; (ii) any parties acting in concert with the Underwriter; (iii) the Directors (including, among others, Mr. Ng, Ms. Cheung and Ms. Jessica Ng but excluding members of the Independent Board Committee) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriter and parties acting in concert with it, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the transactions contemplated under the Rights Issue, the Underwriting Agreement and the

Whitewash Waiver and, hence, is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver at the EGM. As explained in the section headed “Takeovers Code Implications and Application for Whitewash Waiver”, Hon. Raymond Arthur William Sears, Q.C., an independent non-executive Director deemed to be interested in 53,000 Shares, is not required to abstain from voting on the relevant resolutions at the EGM.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to provide recommendation to the Independent Shareholders in connection with the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. Lego Corporate Finance has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and as to voting.

A circular containing, among others, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; and (iv) a notice convening the EGM will be despatched by the Company to the Shareholders in accordance with the Listing Rules and the Takeovers Code on or before 19 July 2019.

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

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-section headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 13 August 2019. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 26 August 2019 to Monday, 2 September 2019 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

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

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

DEFINITIONS

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

“2016 Rights Issue”	the rights issue of the Company completed on 11 August 2016
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bookrunner”	Opus Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the bookrunner appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 7.21(1)(b) of the Listing Rules
“Business Day”	a day (excluding Saturday and Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on Main Board of the Stock Exchange
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Bookrunner on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of giving a recommendation to the Independent Shareholders as to whether the Underwriting Agreement, the Rights Issue and the Whitewash Waiver are fair and reasonable and as to voting after taking into account the advice of the Independent Financial Adviser
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, and as to voting

“Independent Shareholders”	the Shareholders other than: (i) the Directors (excluding members of the Independent Board Committee), the chief executive of the Company and their respective associates; (ii) the Underwriter and parties acting in concert with it; and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Underwriting Agreement, the Rights Issue and/or the Whitewash Waiver
“Independent Third Party(ies)”	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Irrevocable Undertakings”	the irrevocable undertakings referred to in the sub-section headed “The Irrevocable Undertakings” under the section headed “The Underwriting Agreement” in this announcement and dated 3 July 2019 and executed by each of Mr. Ng, Mr. Paul Ng, Fung Shing Group Limited, Parkfield Holdings Limited, Ronastar Investments Limited and the Underwriter in favour of the Company and the Underwriter
“Latest Placing Day”	11 September 2019 or such later date as the Company and the Bookrunner may agree in writing, being the latest date for the Bookrunner to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
“Last Trading Day”	3 July 2019, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 5 September 2019 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 6 September 2019, being the first Business Day after the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Gorges”	Mr. Richard Howard Gorges, a director of the Underwriter

“Mr. Ng”	Mr. Ng Hung Sang, the Chairman of the Board, an executive Director, Substantial Shareholder of the Company and the beneficial owner of the entire interests in the Underwriter
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, the son of Mr. Ng
“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive Director, the vice chairman of the Company and a director of the Underwriter
“Ms. Jessica Ng”	Ms. Ng Yuk Mui Jessica, the executive vice chairman of the Company, an executive Director and the daughter of Mr. Ng
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Bookrunner under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Bookrunner and any other related expenses/fees)
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renouncees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company
“Optionholders’ Undertaking”	the undertaking executed on 3 July 2019 by each of the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to completion or, where applicable, lapse of the Rights Issue

“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placees”	any individuals, corporate, institutional investors or other investors, who are Independent Third Parties, procured by or on behalf of the Bookrunner to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by or on behalf of the Bookrunner to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agreement”	the placing agreement dated 3 July 2019 and entered into between the Company and the Bookrunner in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Independent Third Party(ies) on a best effort basis
“Placing Completion Date”	16 September 2019 or such other date as the Company and the Bookrunner may agree in writing, being completion of Placing and the third Business Day after the latest time of placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Period”	the period commencing from the day which is the second Business Day after the Latest Time for Acceptance, which is expected to be 9 September 2019, and ending at 5:00 p.m. on the Latest Placing Day
“Posting Date”	22 August 2019 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)

“Record Date”	21 August 2019 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the share registrar and transfer office of the Company, at Suites 3301–4, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three Rights Shares for every two Shares held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	451,915,605 shares in the Company proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company
“Share Options”	the share options granted by the Company pursuant to the share option scheme adopted on 5 June 2012 which give holders thereof the rights to subscribe for Shares at the exercise price of HK\$9.75 per Share
“Shareholder(s)”	the holder(s) of the issued Shares
“Specified Event”	an event occurring or a matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which renders any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.42 per Rights Share
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Underwriter”	Uni-Spark Investments Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Mr. Ng
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 3 July 2019 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	301,673,195 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by Qualifying Shareholders
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it as a result of the subscription of the Rights Shares by the Underwriter pursuant to the Underwriting Agreement
“%”	per cent

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

Hong Kong, 3 July 2019

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

ANNEX B

FORM OF IRREVOCABLE UNDERTAKING

Date

To : South China Financial Holdings Limited
Uni-Spark Investments Limited

Dear Sirs,

Rights Issue of [451,915,605] Rights Shares at a subscription price of HK\$[0.42] per Rights Share by South China Financial Holdings Limited

We understand that on [3 July] 2019, an underwriting agreement (the “**Underwriting Agreement**”) was entered into between South China Financial Holdings Limited (the “**Company**”) and Uni-Spark Investments Limited as underwriter in relation to a proposed rights issue of the Company. Unless otherwise stated, terms defined in the Underwriting Agreement have the same meanings when used in this letter.

This undertaking is executed by us as shareholders of the Company in favour of the Company and Uni-Spark Investments Limited.

As at the date of this letter, we are beneficially interested in the number of Shares as set out in the table below. We understand that the Company proposes to issue, by way of rights issue, an aggregate of [451,915,605] Rights Shares to the Qualifying Shareholders in the proportion of [three] ([3]) Rights Shares for every [two] ([2]) Shares held as at the Record Date. Subject to the Rights Issue becoming unconditional, we will be entitled to the following number of Rights Shares:

	Shares	Rights Shares
Fung Shing Group Limited	[23,526,030]	[35,289,045]
Parkfield Holdings Limited	[44,623,680]	[66,935,520]
Ronastar Investments Limited	[1,999,872]	[2,999,808]
Ng Hung Sang	[11,133,264]	[16,699,896]
Ng Yuk Yeung Paul	[11,700,000]	[17,550,000]
Uni-Spark Investments Limited	[7,178,761]	[10,768,141]
Total	[100,161,607]	[150,242,410]

Save as the aforesaid, we confirm that the above Shareholders and their close associates (as defined in the Listing Rules) have no other direct or indirect interests in the Shares.

In connection with the Rights Issue and in consideration of the Underwriter undertaking its obligation under the Underwriting Agreement and of the Company undertaking the Rights Issue, we unconditionally and irrevocably undertake to the Company as follows:-

- (i) to accept or procure the application of, by the Latest Time for Acceptance, an aggregate of [150,242,410] Rights Shares in accordance with our entitlements set out above, to which we have assured entitlements in respect of an aggregate of [100,161,607] Shares registered in our names as at the date of this letter (the “**Current Securities**”);

- (ii) to procure that application forms in respect of aggregate of [150,242,410] Rights Shares, to which we have assured entitlements, will be lodged on or before the Latest Time for Acceptance;
- (iii) to authorise the Company (unless otherwise agreed in writing with us) that, in the event that we fail to comply with the undertakings given in (i) and (ii) above:-
 - (a) to treat this letter as an application by us for all the Rights Shares to which we have assured entitlements;
 - (b) to allocate and procure the issue of the same to us; and
 - (c) to procure the registration of the same in our names;
- (iv) that the Current Securities will remain registered in the same name until the close of business on the Record Date; and
- (v) that, other than any subsisting security interests, we will not, during the period from immediately after the signing of the Underwriting Agreement and prior to or on the Record Date, without the prior written consent of the Company (which consent shall not be unreasonably withheld or delayed) dispose of or transfer any of the Current Securities or any interest in it (other than the application of Rights Shares to which we have assured entitlements under the Rights Issue) and notwithstanding the foregoing, unless any third party to whom such Current Securities or interests are to be transferred shall undertake to give similar undertakings in favour of the Company to those set out in this letter.

The terms of this letter shall be governed by and construed in accordance with the laws of Hong Kong. We irrevocably submit to the non-exclusive jurisdiction of the courts of Hong Kong.

IN WITNESS whereof this letter has been executed the day and year first above written.

THE COMMON SEAL of)
Fung Shing Group Limited)
 is hereunto affixed)
 in the presence of:-)

THE COMMON SEAL of)
Parkfield Holdings Limited)
 is hereunto affixed)
 in the presence of:-)

THE COMMON SEAL of)
Ronastar Investments Limited)
 is hereunto affixed)
 in the presence of:-)

THE COMMON SEAL of)
Uni-Spark Investments Limited)
is hereunto affixed)
in the presence of :-)

SIGNED SEALED DELIVERED)
by Ng Hung Sang)
in the presence of :-)

SIGNED SEALED DELIVERED)
by Ng Yuk Yeung Paul)
in the presence of :-)

ANNEX C

FORM OF OPTIONHOLDERS' UNDERTAKING

Date:

To: The board of directors (the “**Board**”)
South China Financial Holdings Limited (the “**Company**”)
Uni-Spark Investments Limited (the “**Underwriter**”)

Dear Sirs,

Rights Issue of [451,915,605] Rights Shares at a subscription price of HK\$[0.42] per Rights Share by South China Financial Holdings Limited

1. [I/We] understand that on [3 July] 2019, an underwriting agreement (the “**Underwriting Agreement**”) was entered into between the Company and the Underwriter in relation to the proposed rights issue (the “**Rights Issue**”) of the Company. Unless otherwise stated, terms defined in the Underwriting Agreement have the same meanings when used in this letter.
2. This undertaking is executed by [me/us] as a holder of [*] share options granted to [me/us] on [*] under the share option scheme of the Company adopted on [*] (the “**Options**”).
3. As at the date of this letter, [I am/we are] interested in the following Options granted to [me/us] and which are outstanding:

<i>Date of grant</i>	<i>Number of Options</i>	<i>Exercise price</i>	<i>Exercise period</i>
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4. Save as disclosed herein, [I/we] do not hold any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this letter.
5. In connection with the Rights Issue, in consideration of the Underwriter undertaking its obligations under the Underwriting Agreement and of the Company undertaking the Rights Issue, [I/we] hereby irrevocably and unconditionally undertake to the Underwriter and the Company that [I/we] will not exercise any of the Options which have been granted to [me/us] for the period from the date of this undertaking or the commencement of the exercise period (as set out paragraph 3 above) (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue.
6. [I/we] consent to the issue of announcement(s), circular and other relevant documents(s) with references to [me/us] and/or to this undertaking as the Company may reasonably require in order to comply with the Listing Rules, the Takeovers Code, and other applicable rules, laws and regulations.
7. This undertaking shall be binding upon [my/our] successors and/or personal representatives. This letter shall terminate after the completion or lapse (where applicable) of the Rights Issue or when the Underwriting Agreement is otherwise terminated in accordance with the terms thereof (whichever is earlier).
8. This undertaking shall be governed by and construed in accordance with Hong Kong law. [I/We] hereby irrevocably submit to the non-exclusive jurisdiction of the courts of Hong

Kong.

IN WITNESS whereof this undertaking has been executed the day and year first above written.

SIGNED SEALED DELIVERED)
by [*])
in the presence of :-)