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SOUTH CHINA HOLDINGS COMPANY LIMITED **SOUTH CHINA FINANCIAL HOLDINGS LIMITED**
南華集團控股有限公司 南華金融控股有限公司
(Incorporated in the Cayman Islands with limited liability) *(Incorporated in Hong Kong with limited liability)*
(Stock Code: 00413) (Stock Code: 00619)



JOINT ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTION FOR SOUTH CHINA HOLDINGS COMPANY LIMITED AND MAJOR AND CONNECTED TRANSACTION AND ISSUANCE OF CONVERTIBLE BONDS FOR SOUTH CHINA FINANCIAL HOLDINGS LIMITED

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders of each of
South China Holdings Company Limited and South China Financial Holdings Limited**



THE SALE AND PURCHASE AGREEMENT

The board of directors of each of SCH and SCFH are pleased to announce that on 13 September 2022 (after trading hours), Thousand China (an indirect wholly-owned subsidiary of SCH) as vendor and Power Path (a wholly-owned subsidiary of SCFH) as purchaser entered into the Sale and Purchase Agreement, pursuant to which Thousand China has conditionally agreed to dispose of the Genius Year Share to Power Path; and Power Path has conditionally agreed to purchase the Genius Year Share, at a total consideration of HK\$89,840,000 which is to be settled by way of the Convertible Bonds to be issued by SCFH upon Completion, in accordance with the terms and subject to the conditions set out therein.

Genius Year indirectly via Gangyang and Huafeng respectively holds 100% interest in the Gangyang Sites and the Huafeng Sites in the PRC.

Upon Completion, the Genius Year Group (i) will be indirect subsidiaries of SCFH which will indirectly hold 100% interest in the Genius Year Sites; and (ii) will cease to be the subsidiaries of SCH.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, Mr. Ng and his associates held approximately 68.80% of the total issued share capital of SCH and approximately 33.57% of the total issued share capital of SCFH, therefore, each of SCH and SCFH is an associate of Mr. Ng. Accordingly, the transactions contemplated under the Sale and Purchase Agreement constitute connected transactions for each of SCH and SCFH under Chapter 14A of the Listing Rules.

For SCH, given that one of the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions under the Sale and Purchase Agreement is more than 5% but less than 25%, the transaction is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

For SCFH, given that more than one of the highest of the applicable percentage ratios in respect of the transactions under the Sale and Purchase Agreement are more than 25%, but less than 100%, the transaction is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

GENERAL

An EGM will be convened by each of SCH and SCFH to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds).

A circular containing, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders of each of SCH and SCFH; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of each of SCH and SCFH; and (iv) the notice convening the EGM of each of SCH and SCFH, is expected to be despatched to the shareholders of SCH and SCFH respectively on or before 31 October 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Warnings: The transactions contemplated under the Sale and Purchase Agreement (including the terms and conditions of the Convertible Bonds) are subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement, therefore, the Sale and Purchase Agreement may or may not proceed. Shareholders and potential investors of each of SCH and SCFH are advised to exercise caution when dealing in the shares of SCH and SCFH, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

On 13 September 2022 (after trading hours), Thousand China (an indirect wholly-owned subsidiary of SCH) and Power Path (a wholly-owned subsidiary of SCFH) entered into the Sale and Purchase Agreement, pursuant to which Thousand China has conditionally agreed to dispose of the Genius Year Share to Power Path; and Power Path has conditionally agreed to purchase the Genius Year Share, at a total consideration of HK\$89,840,000 which is to be settled by way of the Convertible Bonds to be issued by SCFH upon Completion.

Genius Year indirectly via Gangyang and Huafeng respectively holds 100% interest in the Gangyang Sites and the Huafeng Sites in the PRC.

THE SALE AND PURCHASE AGREEMENT

Date: 13 September 2022

Vendor: Thousand China

Purchaser: Power Path

Sale and purchase of the Genius Year Share

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Genius Year Share in accordance with the terms and subject to the conditions thereof.

Consideration

The total consideration for the Genius Year Share shall be a sum of HK\$89,840,000 which is to be settled by the Convertible Bonds to be issued by SCFH upon Completion.

Particulars of the Convertible Bonds are set out in the section headed “The Convertible Bonds” hereinbelow.

BASIS OF THE CONSIDERATION

The Consideration of HK\$89,840,000 in respect of the Genius Year Share was determined by amicable negotiations between the Vendor and the Purchaser on an arm’s length basis with reference to, including without limitation, the net asset value of the Genius Year as at 30 June 2022 of approximately HK\$12,280,000 and the draft land valuation report of the Genius Year Sites as at 31 August 2022 of approximately RMB78,400,000 (equivalent to approximately HK\$89,090,000). The Consideration equals to the adjusted net asset value of Genius Year, being the net asset value of Genius Year as at 30 June 2022 of approximately HK\$12,280,000 and the appreciated value of the Genius Year Sites of approximately HK\$77,560,000 (which is equivalent to the difference between the draft land valuation report of the Genius Year Sites as at 31 August 2022 of approximately HK\$89,090,000 and the book value of the Genius Year Sites as at 30 June 2022 of approximately HK\$11,530,000).

The directors of each of SCH and SCFH (excluding the independent non-executive directors of each of SCH and SCFH, whose view will be set out in the circular to be issued by SCH and SCFH respectively) consider that the Consideration is fair and reasonable.

Conditions precedent

The Completion is conditional upon the fulfillment of the following conditions:

- (a) the Purchaser having completed its due diligence investigation in the Genius Year Group and the Genius Year Sites, and the Purchaser being satisfied with the results of the due diligence investigation;
- (b) there having been no material breach of the Vendor's warranties set out in the Sale and Purchase Agreement from the date of the Sale and Purchase Agreement up to and inclusive of the Completion Date;
- (c) no material adverse change on the operation of the Genius Year Group from the date of the Sale and Purchase Agreement up to and inclusive of the Completion Date;
- (d) the granting of the approval for the listing of, and permission to deal in, the Conversion Shares by the Listing Committee (whether subject to conditions or not); and
- (e) the approval by the Independent Shareholders of each of SCH and SCFH at an extraordinary general meeting approving the execution and performance of the Sale and Purchase Agreement and the other transaction documents (including the terms and conditions of the Convertible Bonds) and the transactions contemplated thereunder.

If any of the above conditions has not been satisfied (where applicable) by 5:00 p.m. on the Long Stop Date, the Sale and Purchase Agreement shall lapse automatically, and thereupon the Sale and Purchase Agreement and everything therein contained shall be null and void and of no further effect (and for the avoidance of doubt, each of the Vendor and the Purchaser shall have no further claim of whatsoever nature against the other).

Completion

Completion shall take place at the principal place of business of the Purchaser at 10:00 a.m. (or at such other place or on such other time as the Vendor and the Purchaser may agree) on the Completion Date.

Upon Completion, the Genius Year Group (i) will be indirect subsidiaries of SCFH which will indirectly holds 100% interest in the Genius Year Sites; and (ii) will cease to be the subsidiaries of SCH.

THE CONVERTIBLE BONDS

Pursuant to the Sale and Purchase Agreement, the consideration for the Genius Year Share shall be satisfied by the issuance of the Convertible Bonds by SCFH to the Vendor.

The principal terms of the Convertible Bonds are as follows:

Issuer:	SCFH
Principal amount:	HK\$89,840,000
Issue Price:	100% of the principal amount of the Convertible Bonds
Interest:	1% per annum
Conversion Price:	HK\$0.32 per Conversion Share, which is subject to adjustments for, among other matters, consolidation, reduction or sub-division of the shares of SCFH, capitalisation of profits or reserves, rights issue, or issue of convertible securities, warrants or options carrying the right to subscribe for the shares of SCFH, but no adjustment shall be made for, among other matters, the issue of the Convertible Bonds; the issue and allotment of any Conversion Shares upon the exercise of the Conversion Rights attached to the Convertible Bonds; the grant of any options or the issue and allotment of any shares of SCFH pursuant to the exercise of any options granted under the share option scheme of SCFH; and the issue and allotment of shares of SCFH to the public and/or any shareholder of SCFH for fund raising purposes.
Maturity date:	the date falling on three (3) years from the date of issue of the Convertible Bonds.
Redemption:	SCFH may redeem any Convertible Bonds at any time which remain outstanding before 5:00 p.m. (Hong Kong time) on the maturity date at its principal amount.
Conversion rights:	subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall have the right to convert the Convertible Bonds into the shares of SCFH subject to mutual agreement in writing between the Bondholder(s) and SCFH at any time during the period commencing from the date of issue of the Convertible Bonds up to 5:00 p.m. (Hong Kong time) on the fifth (5 th) Business Days prior to the maturity date by complying with the relevant procedures set out in the terms and conditions of the Convertible Bonds.
Transferability:	the Convertible Bonds shall be transferrable to any other person provided that the Convertible Bonds are not to be transferred to a connected person (as defined in the Listing Rules) of SCFH and such transfer shall comply with the requirements under the Listing Rules and/or any other requirements imposed by the Stock Exchange (if any).

Status: the Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of SCFH and shall at all times rank *pari passu* and without any preference or priority among themselves, and the payment obligations of SCFH shall, save for such exceptions as may be provided by mandatory provisions of the applicable law, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of SCFH.

Voting rights: the Convertible Bonds do not confer any right to the Bondholder(s) to attend or vote at any shareholders' meeting of SCFH.

CONVERSION SHARES

A total of 280,750,000 Conversion Shares will be issued to the Bondholder(s) upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.32 per Conversion Share. Each of the Conversion Shares, when allotted and issued, shall rank *pari passu* in all respects with the shares of SCFH in issue on the effective date of conversion of the Convertible Bonds (as defined in the terms and conditions of the Convertible Bonds) as if the Conversion Shares issued on conversion had been issued on such date. Subject to the terms and conditions of the Convertible Bonds, the Bondholder(s) shall not be entitled to any rights attaching to it prior to the relevant conversion date.

The initial Conversion Price of HK\$0.32 per Conversion Share (which is subject to adjustment(s) pursuant to the terms and conditions of the Convertible Bonds) represents:

- (a) the closing price of HK\$0.32 of a SCFH Share quoted on the Stock Exchange on 13 September 2022, being the date of the Sale and Purchase Agreement; and
- (b) a premium of approximately 0.63% to the average closing price of approximately HK\$0.318 of a SCFH Share quoted on the Stock Exchange over the last five (5) consecutive trading days prior to the date of the Sale and Purchase Agreement.

The directors of each of SCH and SCFH (excluding the independent non-executive directors of each of SCH and SCFH, whose views will be set out in the circular to be issued by SCH and SCFH respectively) consider that the Conversion Price is fair and reasonable.

The Conversion Shares that are to be allotted and issued upon exercise of the conversion right attaching to the Convertible Bonds will be subject to a specific mandate to be sought at the EGM of SCFH.

280,750,000 Conversion Shares represent approximately 93.19% of the existing issued share capital of SCFH and will represent approximately about 48.24% of the issued share capital of SCFH as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no other change in the issued share capital of SCFH).

An application will be made by SCFH to the Listing Committee for listing of, and permission to deal in, the Conversion Shares.

EFFECT ON THE SHAREHOLDING STRUCTURE OF SCFH

Assuming that there is no change in the issued share capital of SCFH from the date of this joint announcement other than the conversion of the Convertible Bonds, the shareholding structure of SCFH (a) as at the date of this joint announcement and (b) after Completion and assuming full conversion of the Convertible Bonds at the Conversion Price will be as follows:

	As at the date of this joint announcement		After Completion and assuming full conversion of the Convertible Bonds at the Conversion Price	
	<i>No. of the shares of SCFH</i>	<i>%</i>	<i>No. of the shares of SCFH</i>	<i>%</i>
Uni-spark Investments Limited	7,178,761	2.38	7,178,761	1.23
Fung Shing Group Limited	23,526,030	7.81	23,526,030	4.04
Parkfield Holdings Limited	44,623,680	14.81	44,623,680	7.67
Ronastar Investments Limited	1,999,872	0.66	1,999,872	0.34
Mr. Ng	11,609,264	3.85	11,609,264	1.99
Mr. Ng and his close associates	88,937,607	29.52	88,937,607	15.27
Mr. Paul Ng	12,198,000	4.05	12,198,000	2.10
Ms. Cheung	13,598,311	4.51	13,598,311	2.34
Mr. Richard Howard Gorges	5,000,000	1.66	5,000,000	0.86
Parties acting in concert (Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Richard Howard Gorges)	119,733,918	39.74	119,733,918	20.57
The Vendor	—	—	280,750,000	48.24
Public shareholders	181,543,152	60.26	181,543,152	31.19
Total	301,277,070	100	582,027,070	100

INFORMATION OF SCH AND SCFH AND REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE OF THE GENIUS YEAR SHARE

For SCH

SCH and its principal subsidiaries are engaged in trading and manufacturing (including OEM toys production, trading of footwear products and sales of branded ball products), property investment and development, and agriculture and forestry businesses.

Genius Year was established by SCH in 2008 and the investment costs (including the acquisition cost of the land use rights of the Gangyang Sites and the Huafeng Sites) for Genius Year was appropriately HK\$36,538,000 up to the date of this joint announcement. SCH's current business strategies are focusing its resources on property development and toys manufacturing. In view of (i) no income has generated from the Genius Year Group in the last 10 years; and (ii) the directors of SCH believe that it is unlikely for the Genius Year Group to contribute positively to the profitability of SCH in short and medium term. SCH considers the sale of Genius Year Share will be a good opportunity for SCH to unlock the potential value for its shareholders by realising a gain as a result of the sale of Genius Year Share.

SCFH and its principal subsidiaries are engaged in broking, margin financing and money lending, asset and wealth management, corporate advisory and underwriting, trading and investment, media publications and financial public relation services, property investment and sale of jewellery products. The directors of SCH consider that that is a valuable opportunity for SCH to acquire a substantial interest in SCFH at a reasonable price, and the Convertible Bonds will give SCH an opportunity to benefit from the growth of SCFH and its subsidiaries in the future.

By taking into account of the benefits resulting from the sale of the Genius Year Share as mentioned above, the directors of SCH are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of SCH and its shareholders as a whole.

For SCFH

SCFH is an investment holding company. Its principal subsidiaries are engaged in broking, margin financing and money lending, asset and wealth management, corporate advisory and underwriting, trading and investment, media publications and financial public relation services, property investment and sale of jewellery products.

The directors of SCFH consider that the investment in the Genius Year Group will provide a good opportunity for SCFH to widen its businesses to the forestry business which is in line with the trend of the global environment, social and governance theme. The directors of SCFH also consider that the investment in the Genius Year Group will allow SCFH to reduce the reliance on the financial services business and media publications business which are highly competitive, and to improve its earning base.

SCFH has preliminarily assessed the feasibility of the development of the business under the Genius Year Group. Without further substantial investment on the Genius Year Group, SCFH expects that the Gangyang Sites and the Huafeng Sites will be suitable for various commercial purposes such as leasing to other parties and carbon credit trading.

The issue of Convertible Bonds allows SCFH to preserve its cash resources in the challenging business environment in Hong Kong due to COVID-19 and provides protection to the Independent Shareholders of SCFH from immediate shareholding dilution if new shares of SCFH are to be issued for settlement of the Consideration. The directors of SCFH considered that the issue of Convertible Bonds is the most effective means for the settlement of the Consideration given a 3-year term and at one (1) per cent per annum interest, and SCFH may use these 3 years to develop this new business without having significant cash flow impact in acquiring it.

By taking into account of the benefits resulting from the purchase of the Genius Year Share as mentioned above, the directors of SCFH (excluding the independent non-executive directors whose views will be set out in the circular to be issued by SCFH) are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of SCFH and its shareholders as a whole.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the BVI, whose principal business is investment holding. As at the date of this joint announcement, the Vendor is an indirect wholly-owned subsidiary of SCH.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the BVI, whose principal business is investment holding. As at the date of this joint announcement, the Purchaser is a wholly-owned subsidiary of SCFH.

INFORMATION OF THE GENIUS YEAR GROUP

Genius Year is a company incorporated in the BVI, whose principal business is investment holding. It is a wholly-owned subsidiary of the Vendor as at the date of this joint announcement.

Wealthy Key is a company incorporated in Hong Kong, whose principal business is investment holding. It is a wholly-owned subsidiary of Genius Year as at the date of this joint announcement.

Gangyang is a company incorporated in the PRC and is a wholly-owned subsidiary of Wealthy Key as at the date of this joint announcement. Gangyang currently holds the Gangyang Sites.

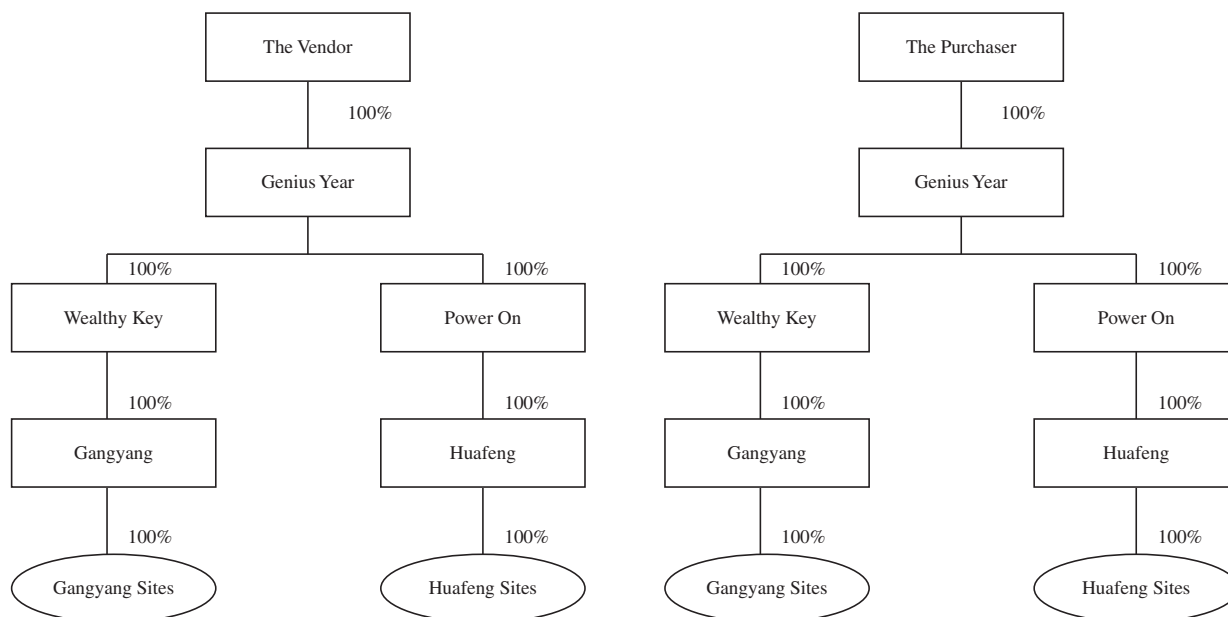
Power On is a company incorporated in Hong Kong, whose principal business is investment holding. It is a wholly-owned subsidiary of Genius Year as at the date of this joint announcement.

Huafeng is a company incorporated in the PRC and is a wholly-owned subsidiary of Power On as at the date of this joint announcement. Huafeng currently holds the Huafeng Sites.

The shareholding structures of the Genius Year Group (a) before the Completion and (b) after the Completion are as follows:

Before Completion:

After Completion:



The basic information of Gangyang Sites is as follows:

Total number of sites: 16

Total area: 80,006 mu (approximately 53 million sq.m.)

The Gangyang Sites are woods and mainly located in Chongyang County, Xianning City, Hubei Province, the PRC. Gangyang holds title to each of the Gangyang Sites. Accordingly to a draft feasibility report of the Gangyang Sites, it may be used for various commercial purposes such as leasing to other parties and carbon credit trading.

The basic information of Huafeng Sites is as follows:

Total number of sites: 12

Total area: 59,209 mu (approximately 39 million sq.m.)

The Huafeng Sites are woods and mainly located in Chongyang County, Xianning City, Hubei Province, the PRC. Huafeng holds title to each of the Huafeng Sites. Accordingly to a draft feasibility report of the Huafeng Sites, it may be used for various commercial purposes such as leasing to other parties and carbon credit trading.

Financial information of the Genius Year Group is as follows:

Based on the unaudited consolidated management accounts of the Genius Year Group as at 30 June 2022, the total assets were approximately HK\$12,340,000 and net assets were approximately HK\$12,280,000.

The unaudited consolidated net losses before taxation and after taxation for the two (2) years ended 31 December 2021, i.e. the two (2) financial years prior to the date of this joint announcement, are as follows:

	Year ended 31 December	
	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(approx.)</i>	<i>(approx.)</i>
Unaudited consolidated loss before taxation	1,142	1,190
Unaudited consolidated loss after taxation	1,142	1,190

Following the Completion, the Genius Year Group will become subsidiaries of the Purchaser and the results of the Genius Year Group will be consolidated in the consolidated financial statements of the SCFH.

It is estimated that, as a result of the sale of the Genius Year Share, SCH will recognise an estimated gain of approximately HK\$77,560,000, which is calculated based on the difference between the consideration of HK\$89,840,000 and the net assets of the Genius Year Group as at 30 June 2022 of approximately HK\$12,280,000.

LISTING RULES IMPLICATIONS

As at the date of this joint announcement, Mr. Ng and his associates held approximately 68.80% of the total issued share capital of SCH and approximately 33.57% of the total issued share capital of SCFH, therefore, each of SCH and SCFH is an associate of Mr. Ng. Accordingly, the transactions contemplated under the Sale and Purchase Agreement constitute connected transactions for each of SCH and SCFH under Chapter 14A of the Listing Rules.

For SCH, given that one of the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transaction under the Sale and Purchase Agreement is more than 5% but less than 25%, the transaction is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

For SCFH, given that more than one of the highest of the applicable percentage ratios in respect of the transaction under the Sale and Purchase Agreement are more than 25%, but less than 100%, the transaction is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Given the transactions contemplated under the Sale and Purchase Agreement constitute connected transactions for SCH and SCFH, Mr. Ng, Mr. Paul Ng (associate of Mr. Ng), Ms. Ng Yuk Mui Jessica (associate of Mr. Ng), Mr. Ng Yuk Fung Peter (associate of Mr. Ng) and Ms. Cheung (common director of SCH and SCFH) and their respective associates have a material interest in such transactions, who will be required to abstain from voting on the resolution(s) to approve the transactions at the EGM of each of SCH and SCFH.

GENERAL

Each of SCH and SCFH has established the Independent Board Committee (comprising of all independent non-executive directors of each of SCH and SCFH) to advise the Independent Shareholders of each of SCH and SCFH in respect of, among other things, as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued to settle the Consideration) are fair and reasonable and to vote with respect to the relevant resolution(s) on the Sale and Purchase Agreement and the transactions contemplated thereunder after consideration of the recommendations of the Independent Financial Adviser, proposed to be passed at the EGM of each of SCH and SCFH.

SCH and SCFH have jointly appointed First Shanghai Capital Limited as the Independent Financial Adviser to advise Independent Board Committee and the Independent Shareholders of each of SCH and SCFH on the fairness and reasonableness of terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued to settle the Consideration).

The EGM of each of SCH and SCFH will be convened and held to consider, and if thought fit, pass the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the convertible Bonds which are to be issued to settle the Consideration).

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds); (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders of each of SCH and SCFH; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of each of SCH and SCFH; and (iv) the notice convening the EGM of each of SCH and SCFH, is expected to be despatched to the shareholders of each of SCH and SCFH on or before 31 October 2022 to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Warnings: The transactions contemplated under the Sale and Purchase Agreement (including the terms and conditions of the Convertible Bonds) are subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement, therefore, the Sale and Purchase Agreement may or may not proceed. Shareholders and potential investors of each of SCH and SCFH are advised to exercise caution when dealing in the shares of SCH and SCFH, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

Unless the context otherwise requires, all capitalised terms used in this joint announcement shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	a day (other than Saturday, Sunday, public holiday and days on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business
“BVI”	the British Virgin Islands
“Completion”	completion of the sale and purchase of the Genius Year Share in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which shall be a date falling within three (3) Business Days (or such other later period as mutually agreed by the Vendor and the Purchaser) after the fulfillment of all conditions precedent as specified in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$89,840,000 payable by the Purchaser to the Vendor for the Genius Year Share
“Conversion Price”	the initial conversion price of HK\$0.32 per Conversion Share, which is subject to adjustment(s) pursuant to the terms and conditions of the Convertible Bonds
“Conversion Shares”	the shares of SCFH to be allotted and issued by SCFH upon the exercise of the conversion right attaching to the Convertible Bonds
“Convertible Bonds”	convertible bonds in the total principal amount of HK\$89,840,000 to be issued by SCFH to the Vendor
“EGM”	an extraordinary general meeting of each of SCH and SCFH to be convened and held for the Independent Shareholders of each of SCH and SCFH to consider and, if thought fit, to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Bonds and such other matters in relation thereto as may be required under the Listing Rules)

“Gangyang”	武漢港洋林業發展有限公司, a company incorporated in the PRC, which is a wholly-owned subsidiary of Genius Year
“Gangyang Sites”	16 sites of woods mainly in Chongyang County, Xianning City, Hubei Province, the PRC, having a total area of approximately 80,006 mu (approximately 53 million sq.m.), of which the title holder is Gangyang
“Genius Year”	Genius Year Limited, a company incorporated in the BVI, which is a wholly-owned subsidiary of the Vendor
“Genius Year Group”	Genius Year and its subsidiaries
“Genius Year Share”	one (1) share of US\$1.00 in the share capital of Genius Year, representing 100% of its entire issued share capital
“Genius Year Sites”	the Gangyang Sites and the Huafeng Sites
“Huafeng”	武漢華峰農林發展有限公司, a company incorporated in the PRC, which is a wholly-owned subsidiary of Genius Year
“Huafeng Sites”	12 sites of woods mainly in Chongyang County, Xianning City, Hubei Province, the PRC, having a total area of approximately 59,209 mu (approximately 39 million sq.m.), of which the title holder is Huafeng
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the board of directors of each of SCH and SCFH established by SCH and SCFH respectively, comprising of the independent non-executive directors of SCH (namely Mr. Kam Yiu Shing Tony, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chu Tat, J.P.) and the independent non-executive directors of SCFH (namely Hon. Raymond Arthur William Sears, K.C. and Mr. Tung Woon Cheung Eric), to respectively advise the Independent Shareholders of SCH and SCFH with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the terms and conditions of the Convertible Bonds which are to be issued to settle the Consideration)

“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser to the Independent Board Committee of each of SCH and SCFH and the Independent Shareholders of each of SCH and SCFH with respect to the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issuance of the Convertible Bonds for settlement of the Consideration)
“Independent Shareholders”	shareholders of each of SCH and SCFH, other than Mr. Ng, Mr. Paul Ng, Ms. Cheung and Mr. Richard Howard Gorges and their respective associates who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Listing Committee”	has the same meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	13 December 2022 or such other date as the Vendor and the Purchaser may further agree in writing
“Mr. Ng”	Mr. Ng Hung Sang, the chairman of the board of directors and an executive director of each of SCH and SCFH, and a substantial shareholder of each of SCH and SCFH
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, son of Mr. Ng
“Ms. Cheung”	Ms. Cheung Choi Ngor, an executive director of each of SCH and SCFH
“Power On”	Power On Investments Limited 栢安投資有限公司, a company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of SCH
“Power Path”	Power Path Global Limited 廣環球有限公司, a company incorporated in the BVI, which is a wholly-owned subsidiary of SCFH
“PRC”	the People’s Republic of China, but excluding Hong Kong, the Macao Special Administrative Region and Taiwan for the purpose of this joint announcement
“Purchaser”	Power Path
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 September 2022 entered into between the Vendor and the Purchaser in relation to, among other matters, the sale and purchase of the Genius Year Share
“SCFH”	South China Financial Holdings Limited, a company incorporated in Hong Kong, and its ordinary shares are being listed and traded on the Stock Exchange (stock code: 00619)
“SCH”	South China Holdings Company Limited, an exempted company incorporated in the Cayman Islands, and its ordinary shares are being listed and traded on the Stock Exchange (stock code: 00413)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thousand China”	Thousand China Investments Limited, a company incorporated in the BVI, which is an indirect wholly-owned subsidiary of SCH
“Vendor”	Thousand China
“Wealthy Key”	Wealthy Key Limited 富曼有限公司, a company incorporated in Hong Kong, which is an indirect wholly-owned subsidiary of SCH
“%”	per cent.
“sq.m.”	square meter

For the purpose of this joint announcement, the conversion rate of HK\$ to RMB is set at the rate of RMB0.88 for HK\$1.00.

By Order of the board of directors of
South China Holdings Company Limited
南華集團控股有限公司
Cheung Choi Ngor
Executive Director

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

Hong Kong, 13 September 2022

As at the date of this joint announcement, the board of directors of SCH comprises (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mr. Ng Yuk Yeung Paul as executive directors; (2) Ms. Ng Yuk Mui Jessica, Mr. Ng Yuk Fung Peter, Mr. David Michael Norman and Ms. Li Yuen Yu Alice as non-executive directors; and (3) Mr. Kam Yiu Shing Tony, Mrs. Tse Wong Siu Yin Elizabeth, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P. as independent non-executive directors.

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

In case of any inconsistency between the English text and the Chinese text of this joint announcement, the English text shall prevail.