
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in **South China Financial Holdings Limited**, you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by section 38D of the Companies (WUMP) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the Prospectus Documents.

Dealings in the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, 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 the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. You should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of each of the Prospectus Documents, make no representation as to their 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 these documents.



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00619)

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE

Joint Financial Advisers to the Company



Underwriters of the Rights Issue
Uni-Spark Investments Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this Prospectus.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 3 August 2016. The procedures for acceptance and payment or transfer of the Rights Shares and application and payment for excess Rights Shares are set out on pages 18 to 21 of this Prospectus.

The Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out in the section headed "Termination of the Underwriting Agreement" on pages 8 to 9 of this Prospectus.

Shareholders should note that the existing Shares have been dealt in on ex-rights basis from Monday, 11 July 2016. The Rights Shares in their nil-paid form will be dealt in from Friday, 22 July 2016 to Friday, 29 July 2016 (both days inclusive). If prior to the Latest Time for Termination, the Underwriter terminates the Underwriting Agreement or if any of the other conditions of the Rights Issue as set out in the paragraphs headed "Conditions of the Rights Issue" contained in this Prospectus is not fulfilled or waived (as applicable), the Rights Issue will not proceed.

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue 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 and may not proceed. Any Shareholder or other person contemplating selling or purchasing the Shares who is in any doubt about his/her/its position is recommended to consult his/her/its own professional adviser.

20 July 2016

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 20 April 2016 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	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
“Circular”	the circular of the Company dated 14 June 2016 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Clarification Announcement”	the announcement of the Company dated 10 May 2016 regarding additional information in relation to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended or supplemented from time to time
“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
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company held on Thursday, 30 June 2016 to approve, 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)
“Exercisable Period”	the period from 9 June 2016 to 8 June 2018, being the exercisable period of the 15,000,000 outstanding Share Options which were granted on 9 June 2015
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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 members of the independent board committee), the chief executive of the Company and their respective associates; and (ii) the Underwriter and parties acting in concert with it and 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 paragraphs headed “The Irrevocable Undertakings” in the “Letter from the Board” dated 20 April 2016 executed by each of Mr. Ng, Ms. Cheung, Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited in favour of the Company and the Underwriter
“Last Trading Day”	19 April 2016, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	15 July 2016, being the latest practicable date prior to the publication of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 3 August 2016 or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer for the Rights Shares, the application for the excess Rights Shares and payment for the same
“Latest Time for Termination”	5:00 p.m. on Thursday, 4 August 2016, being the next 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, an executive Director and a Substantial Shareholder of the Company
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, a 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
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares 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
“Options Irrevocable Undertakings”	the irrevocable undertakings dated 31 May 2016 given by the holders of the outstanding Share Options, 15,000,000 of which being exercisable in the Exercisable Period, 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 or the commencement of the Exercisable Period (whichever is earlier) 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) outside Hong Kong

DEFINITIONS

“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	20 July 2016 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purposes of this Prospectus
“Prospectus”	this Prospectus issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“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”	19 July 2016 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 of the Company, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the issue of the Rights Shares by way of rights on the basis of one Rights Share for every existing Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents and as contemplated under the Underwriting Agreement
“Rights Share(s)”	7,542,126,750 Shares in the Company 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
“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 the holders thereof the rights to subscribe for the Shares at the exercise price of HK\$0.202 per Share

DEFINITIONS

“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\$0.066 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 20 April 2016 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	5,202,547,805 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“U.S.”	the United States of America
“Whitewash Waiver”	a waiver 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

EXPECTED TIMETABLE

EXPECTED TIMETABLE

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	2016
First day of dealings in nil-paid Rights Shares	9:00 a.m. Friday, 22 July
Latest time for splitting nil-paid Rights Shares	4:30 p.m. Tuesday, 26 July
Last day of dealings in nil-paid Rights Shares	close of business of Friday, 29 July
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. Wednesday, 3 August
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional	5:00 p.m. Thursday, 4 August
Announcement of results of the Rights Issue	Wednesday, 10 August
Refund cheques, if any, to be despatched (if the Rights Issue is terminated or the application(s) for excess Rights Shares is/are unsuccessful or partially successful) on or before	Thursday, 11 August
Certificates for fully-paid Rights Shares to be despatched on or before	Thursday, 11 August
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. Friday, 12 August

All times and dates in this Prospectus refer to Hong Kong local times and dates. The dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied. Should there be any change to the above expected timetable, the Company will notify the Shareholders by way of announcement as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- a. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- b. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of abovementioned warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance is postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

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 in the business or in the financial or trading position of any member of the Group after the signing of the Underwriting Agreement;
 - 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 this paragraph 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. this 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 of the Underwriting Agreement been publicly announced or published by the Company,

TERMINATION OF THE UNDERWRITING AGREEMENT

which, 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 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 rescind 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. Further announcement would be made if the Underwriting Agreement is terminated by the Underwriter or the Company.

LETTER FROM THE BOARD



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 00619)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
Ms. Ng Yuk Mui Jessica

Independent non-executive Directors:

Hon. Raymond Arthur William Sears, Q.C.
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Tung Woon Cheung Eric

Registered office:

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

20 July 2016

*To the Qualifying Shareholders and,
for information purpose only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE SHARE HELD ON THE RECORD DATE

INTRODUCTION

References are made to the Announcement, the Clarification Announcement, the announcements of the Company dated 11 May 2016 and 31 May 2016, the Circular and the poll results announcement of the Company dated 30 June 2016 in relation to, among other matters, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver. On 20 April 2016, the Board announced that the Company proposed to raise gross proceeds of approximately HK\$497.8 million (before expenses) by issuing 7,542,126,750 Rights Shares (assuming no further issue of new Share(s) and no repurchases of Share(s) by the Company on or before the Record Date) at the Subscription Price of HK\$0.066 per Rights Share on the basis of one Rights Share for every existing Share held on the Record Date. The Subscription Price is payable in full on application. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

LETTER FROM THE BOARD

The Rights Issue is conditional on, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders at the EGM. On 28 June 2016, the Executive granted the Whitewash Waiver which was subject to, among other things, the approval of the Independent Shareholders by way of poll at the EGM. At the EGM, the resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver were duly passed by the Independent Shareholders by way of poll. The Underwriter and the parties acting in concert with it holding approximately 36.56% of the issued share capital of the Company as at the date of the EGM had abstained from voting on such resolutions at the EGM.

The purpose of this Prospectus is to provide you with, among others, further details on the Rights Issue, certain financial information and other general information on the Group.

THE RIGHTS ISSUE

The Company proposed to raise approximately HK\$497.8 million (before expenses), which amounts to approximately HK\$489.3 million after deduction of the costs and expenses expected to be incurred in the Rights Issue. Details of the Rights Issue are set out as follows:

Issue statistics

Basis of the Rights Issue	:	One Rights Share for every existing Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.066 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	7,542,126,750 Shares
Number of Rights Shares	:	7,542,126,750 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	:	15,084,253,500 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the completion of the Rights Issue
Amount to be raised	:	Approximately HK\$497.8 million before expenses
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had 45,000,000 outstanding Share Options which will vest in the period from 9 June 2016 to 8 June 2020. Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 45,000,000 Shares (which entitle to 45,000,000 Rights Shares) would have been issued assuming no further grant of share options by the Company for the period from the Latest Practicable Date to the Record Date. The number of Shares to be allotted and issued by the Company, upon the exercise of such Share Options and the exercise price thereof may be adjusted as a result of the Rights Issue. The Company will publish further announcement(s) in respect of such adjustments as and when appropriate.

One-third of the abovementioned outstanding Share Options (i.e. 15,000,000 Share Options) were vested on 9 June 2016, and are exercisable during the Exercisable Period. If, after the vesting of such Share Options on 9 June 2016, any holder of the said Share Options exercise any of his/her Share Options and become a Shareholder on or before the Record Date, the total number of Shares in issue on the Record Date will increase and the number of Rights Shares and, hence, the number of Underwritten Shares will increase accordingly. To facilitate the Rights Issue, such Share Option holders have given the Options Irrevocable Undertakings to the Company. With such Options Irrevocable Undertakings, the Company does not have to negotiate with the Underwriter for any change in the terms and conditions of the Underwriting Agreement as a result of the potential increase in the number of the Underwritten Shares due to the possible exercise of the said Share Options. The Options Irrevocable Undertakings will cease to be binding upon completion or, where applicable, lapse of the Rights Issue. As at the Latest Practicable Date, all the abovementioned Share Options holders are employees of subsidiaries of the Company who did not hold any Share. Pursuant to the share option scheme of the Company adopted on 5 June 2012, an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or in any manner dispose of or create any interest in favour of any third party over or in relation to any option. Given the Options Irrevocable Undertakings and the terms of the said share option scheme, the holders of the 15,000,000 outstanding Share Options will not deal in such Share Options such that no Share will be issuable in the period from the date of the Options Irrevocable Undertakings or the commencement of the Exercisable Period (whichever is earlier) to completion or, where applicable, lapse of the Rights Issue.

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 Latest Practicable Date.

The 7,542,126,750 Rights Shares represents 100.00% of the Company's issued share capital as at the Latest Practicable Date and 50.00% of the Company's issued share capital as enlarged by the Rights Issue immediately after the 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 the completion of the Rights Issue.

LETTER FROM THE BOARD

Qualifying Shareholders

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

Qualifying Shareholders who take up their pro rata entitlements in full under the Rights Issue will not suffer any dilution to their interests in the Company. 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.

Basis of provisional allotments

The basis of the provisional allotment shall be one Rights Share (in nil-paid form) for every existing Share 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 Shareholder(s)

The Prospectus Documents have not been registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company has complied with Rule 13.36(2)(a) of the Listing Rules and made enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholder(s).

As at the Record Date, there were two Overseas Shareholders. According to the register of members of the Company, the relevant particulars of such Overseas Shareholders are as follows:

Jurisdiction	Number of registered Shareholder(s)	Number of Shares held as at the Record Date
Canada	1	63,000
Taiwan	1	80,000

Each of the Overseas Shareholder(s) represents less than 1% of the total issued Shares as at the Record Date.

LETTER FROM THE BOARD

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders, with registered address(es) (as shown in the register of members of the Company) under the jurisdiction set out in the above in compliance with Rule 13.36(2)(a) of the Listing Rules and taking into account the foreign legal opinion as at the Latest Practicable Date, provided by the Canadian legal adviser and the Taiwanese legal adviser engaged by the Company, the Directors were of the view that:

- i. it is expedient not to extend the Rights Issue to the Overseas Shareholder with registered address (as shown in the register of members of the Company) in Canada given the expenses and effort, which may be incurred or involved in compliance with the relevant regulatory requirements in Canada, and, hence, the Overseas Shareholder with registered address (as shown in the register of members of the Company) in Canada shall be a Non-Qualifying Shareholder; and
- ii. it is neither necessary nor expedient not to extend the Rights Issue to the Overseas Shareholder(s) with registered address(es) (as shown in the register of members of the Company) in Taiwan and, hence, the Overseas Shareholder with registered address (as shown in the register of members of the Company) in Taiwan shall be a Qualifying Shareholder.

As such, the Company will send the Prospectus to the Non-Qualifying Shareholder(s) for their information only, but will not send any PAL and EAF to them. Receipt of a copy of the Prospectus does not and will not constitute an offer to the Non-Qualifying Shareholder(s).

It is the responsibility of any person (including but without limitation to nominee, custodian, agent and trustee) receiving a copy of the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares or make an application for excess Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including the obtaining of any governmental or other consents and/or observing any other formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been complied with. If you are in any doubt as to your position, you should consult your professional adviser. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder(s), to be sold in the market in their nil-paid form during the period from Friday, 22 July 2016 to Friday, 29 July 2016 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 Shareholder(s). In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholder(s) will be made available for excess applications by Qualifying Shareholder(s) under the EAF(s).

LETTER FROM THE BOARD

Subscription price

The Subscription Price for the Rights Shares is HK\$0.066 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or 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 58.23% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 59.51% to the closing price of HK\$0.163 per Share as quoted on the Stock Exchange on the date of the Underwriting Agreement;
- (c) a discount of approximately 41.07% to the theoretical ex-rights price of approximately HK\$0.112 per Share based on the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 52.38% to the average of the closing prices of approximately HK\$0.139 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 38.36% to the average of the closing prices of approximately HK\$0.107 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 21.32% to the average of the closing prices of approximately HK\$0.084 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (g) a discount of approximately 16.46% to the closing price of HK\$0.079 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (h) a discount of approximately 25.82% to the net asset value per Share of approximately HK\$0.089 (based on the consolidated net assets of the Group of approximately HK\$671.0 million as at 31 December 2015 as shown in the audited consolidated financial statements and the number of Shares in issue as at the Latest Practicable Date of 7,542,126,750 Shares); and
- (i) a discount of approximately 26.06% to the adjusted net asset value per Share of approximately HK\$0.089 (based on the adjusted consolidated net assets of the Group of approximately HK\$673.2 million, which represents the sum of the consolidated net assets of the Group of approximately HK\$671.0 million as at 31 December 2015 as shown in the audited consolidated financial statements for the year ended 31 December 2015 and the excess of HK\$2.2 million of the market value of the investment properties of approximately

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HK\$399.70 million as at 31 May 2016 as shown in the valuation report set out in Appendix III to the Circular over the fair value of such properties of approximately HK\$397.50 million as recognised in the audited consolidated financial statements for the year ended 31 December 2015, divided by the number of Shares in issue as at the Latest Practicable Date of 7,542,126,750 Shares).

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 historical closing price of the Shares was on a descending trend since 1 January 2016 up to 18 February 2016, and fluctuated between HK\$0.06 per Share and HK\$0.08 per Share with an average price of approximately HK\$0.064 for such period;
- ii. the recent upward trend of the prevailing market prices of the Shares from 18 February 2016 to the Last Trading Day from the closing price of HK\$0.062 per Share to the closing price of HK\$0.158 per Share, represented an increase of approximately 154.84%;
- iii. the Company recorded a loss of approximately HK\$14.9 million for the financial year ended 31 December 2015 and had net current asset of approximately HK\$434.4 million as at 31 December 2015. The expected amount to be raised by the Rights Issue represents approximately 74.18% of the Company's equity as at 31 December 2015 and approximately 41.77% of the Company's market capitalization as at the Last Trading Day;
- iv. the funding and capital needs of the Company for its business plans and prospect set out in the paragraphs headed "Reasons for the Rights Issues" below;
- v. as disclosed in the announcement of the Company in respect of the rights issue completed in June 2015 dated 30 April 2015, the theoretical ex-rights price of the Shares amounts to HK\$0.149 per Share. As quoted on the Stock Exchange on the Last Trading Day, the price of the Share amounted to HK\$0.158 each, which is approximately 6.04% above the aforesaid theoretical ex-rights price. However, the average closing prices of the Shares for the 30 and 90 consecutive trading days up to and including the Last Trading Day (refer to (e) and (f) above) fell below the abovementioned theoretical ex-rights price by approximately 28.14% and 43.70%, respectively. As such, the Directors considered that the Subscription Price, which represents a discount of approximately 41.07% to the theoretical ex-rights price (refer to (c) above), was set at a reasonable amount to attract the Qualifying Shareholders to participate in the Rights Issue taking into account the volatile market in the past several months before the date of the Announcement. The rights issue completed in June 2015 was over-subscribed. In view of the positive response from the Shareholders to the abovementioned rights issue and the favourable Subscription Price, the Directors expected that the Rights Issue will unlikely result in a significant dilution to the Qualifying Shareholders on an overall basis;

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- vi. in view of the uncertainties and the recent volatility in the Hong Kong stock market stemming from fluctuating market sentiment, and the possible devaluation trend of Asian currencies given the anticipation of the future fluctuating market sentiment, capital flow, trend of interest rate, volatility in money supply in different major economies and different economic decisions made by different countries, the Directors believe that it would be difficult to attract the Qualifying Shareholders to make further investment in the Company through the Rights Issue if the Subscription Price is not set at a discount to the recent closing prices of the Shares; and
- vii. although the Rights Issue has an inherent dilutive nature, it is subject to Shareholders' approval, which means that the Shareholders have a right to disapprove the Rights Issue.

In determining the terms of the Rights Issue, the Company strives to set a reasonable subscription price that reflects a balance between the inherent 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 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, while the Qualifying Shareholders who wish to increase their shareholding in the Company through the Rights Issue are able to acquire additional nil-paid rights in the market and/or through an EAF; (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 29.11% dilution in value of shareholding in the Company from the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day to the theoretical ex-rights price of approximately HK\$0.112 per Share in the Company based on the aforesaid closing price of HK\$0.158 per Share.

Mr. Ng, 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 are of the view that the terms and structure of the Rights Issue, including the Subscription Price

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(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, and that all Qualifying Shareholders are treated equally.

Hon. Raymond Arthur William Sears, Q.C. is deemed to be interested in 1,650,000 Shares by virtue of his spouse's interest in such Shares as at the Latest Practicable Date. Save for the normal interest in the abovementioned 1,650,000 Shares, which represents approximately 0.02% of the Shares currently in issue as at the Latest Practicable Date despite being a Shareholder, he is also an independent non-executive Director and has no involvement in the aforesaid transactions, thus he is eligible to vote on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

The net price per Rights Share (i.e. Subscription Price less the estimated cost and expenses to be incurred in the Rights Issue) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.065.

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.

Procedures for acceptance and payment or transfer

PAL — Acceptance, payment and transfer

The PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholder(s) wish to take up the provisional allotment of Rights Shares as specified in the PAL in full, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Wednesday, 3 August 2016. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "**South China Financial Holdings Limited – Provisional Allotment Account**" and crossed "**Account Payee Only**". No receipts will be given for such remittances.

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It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar not later than 4:00 p.m. on Wednesday, 3 August 2016, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of their provisional allotment and/or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Tuesday, 26 July 2016 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event, the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the aforesaid representations and warranties. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. No application for the Rights Shares will be accepted from any person who is a Non-Qualifying Shareholder.

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If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out under the section headed “Conditions of the Rights Issue” of this Prospectus is not fulfilled and/or waived (as applicable) at or before the time and date specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post to their respective registered addresses at their own risk by the Registrar on or before Thursday, 11 August 2016.

EAF — Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for (if any) the unsold entitlements of the Non-Qualifying Shareholders and the Rights Shares provisionally allotted but not accepted.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on application in respect of the excess Rights Shares being applied for (rounded to the nearest cent, with HK\$0.005 or more rounded upwards and any other amount less than HK\$0.005 being rounded downwards) with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 3 August 2016. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**South China Financial Holdings Limited – Excess Application Account**” and crossed “**Account Payee Only**”. No receipt will be given for such remittances.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by the Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

The allocation of excess Rights Shares (if any) to the Qualifying Shareholders will be announced by the Company on Wednesday, 10 August 2016. If no excess Rights Shares are allotted to the Qualifying Shareholders, it is expected that a cheque for the amount tendered on application will be refunded in full without interest on or before Thursday, 11 August 2016. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the amount of the surplus application monies are also expected to be refunded to them without interest on or before Thursday, 11 August 2016.

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All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied will constitute a warranty by the applicant that the cheque or cashier's order will be honoured on first presentation. If any cheque or cashier's order accompanying a completed EAF is dishonoured on first presentation, without prejudice to the other rights of the Company, such EAF is liable to be rejected.

Completion and return of the EAF by anyone outside Hong Kong will constitute a warranty and representation to the Company that all the local registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the EAF and any application under it have been, or will be, duly complied with. For the avoidance of doubt neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties.

The EAF is for use only by the Qualifying Shareholder(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be despatched by ordinary post at the risk of the persons entitled thereto to their respective registered addresses as shown in the register of members of the Company on the Record Date.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if any of the conditions of the Rights Issue as set out in the paragraphs headed "Conditions of the Rights Issue" below is not fulfilled at or before the Latest Time for Termination (or such later time or date as the Company and the Underwriter may agree in writing), the remittance received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 11 August 2016.

Share certificates and refund cheques 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 or before Thursday, 11 August 2016 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on or before Thursday, 11 August 2016 by ordinary post to the applicants, at their own risk, to their registered addresses. Applicant(s) will receive one share certificate for all the Rights Shares issued to him/her/it/them.

The first day of dealings in the Rights Shares in their fully-paid form is expected to commence at 9:00 a.m. on Friday, 12 August 2016.

Application for listing

The Company has applied 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.

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Subject to the granting of 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. 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 and other applicable fees and charges in Hong Kong, if any. Both nil-paid and fully-paid Rights Shares will be traded in board lots of 50,000.

No part of the securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application for listing of or permission to deal in the Shares, the Rights Shares or any other securities of the Company is being made, or is proposed to be sought, on any other stock exchange.

THE UNDERWRITING AGREEMENT

On 20 April 2016, 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 has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by certain Shareholders and Directors pursuant to the Irrevocable Undertakings.

Agreement date : 20 April 2016

Underwriter : Uni-spark Investments Limited

The Underwriter is wholly-owned by Mr. Ng, the Chairman of the Board and an executive Director, beneficially.

Total number of Rights Shares : 5,202,547,805 Rights Shares (having taken into account the
underwritten by the Underwriter Irrevocable Undertakings and assuming no new Share being
issued and no Share being repurchased on or before the
Record Date)

Commission : The Underwriter will receive 2% of the aggregate
Subscription Price of the Underwritten Shares, amounting
to approximately HK\$6.9 million, as underwriting
commission.

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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-paragraphs headed "Subscription Price" in the paragraphs headed "The Rights Issue" above, 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 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.

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 associates signify strong support from the Substantial Shareholder 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 minimizing 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 Subscription Price and ratio as well as the acceptance rate of the rights issue completed in June 2015; (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, the Directors believe that 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\$343.4 million is quite a substantial amount taking into account the Company's financial position, the Directors 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.

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The Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Ng, together with his associates, and Ms. Cheung hold in aggregate 2,032,071,156 and 307,507,789 Shares, respectively, representing approximately 26.94% and 4.08% of the existing issued share capital of the Company. Pursuant to the Irrevocable Undertakings, Mr. Ng and his associates, namely Fung Shing Group Limited, Parkfield Holdings Limited and Ronaster Investments Limited (refer to the paragraphs headed “Shareholding Structure of the Company” for details), and Ms. Cheung have provided irrevocable and unconditional undertakings to the Company and the Underwriter to, among other things, accept their entitlements to the provisional allotment of an aggregate of 2,032,071,156 and 307,507,789 Rights Shares, respectively, and not to sell or transfer the Shares held by them in any manner before the completion or, where applicable, lapse of the Rights Issue, such that any other persons that are not parties to the Irrevocable Undertakings (the “**Other Parties**”) would be entitled to the Rights Issue in respect of those Shares that are held by them as at the Latest Practicable Date.

Save for the Irrevocable Undertakings, the Board has not received any information from any Substantial Shareholders of his/her/its intention to take up the securities of the Company to be offered to them under 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 in the business or in the financial or trading position of any member of the Group after the signing of the Underwriting Agreement;
 - 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;

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- 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 this paragraph 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. this 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 of the Underwriting Agreement been publicly announced or published by the Company,

which, 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 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 rescind 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.

LETTER FROM THE BOARD

If the Underwriter or the Company terminates the Underwriting Agreement, the Rights Issue will not proceed. 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 the ordinary resolutions at the EGM by way of poll to approve (i) the Rights Issue; (ii) the Underwriting Agreement and the transactions contemplated thereunder; and (iii) the Whitewash Waiver;
- (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 Directors complying with his/her/its obligations under the Irrevocable Undertakings;
- (f) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination; and
- (g) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement.

The conditions precedent set out in paragraphs (a) to (f) above are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (g) in whole or in part by written notice to the Company. Save for the paragraph (a), none of the conditions set out above has been fulfilled (or waived) as at the Latest Practicable Date.

If the conditions precedent set out in above paragraphs are not satisfied, and/or remained un-fulfilled at the respective time and dates specified therein (or such other time as may be extended by the Underwriter (as permitted under the relevant legal and regulatory requirements)), 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.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 7,542,126,750 Shares in issue. As at the Latest Practicable date, the Company had 45,000,000 outstanding Share Options, of which 15,000,000 Share Options were vested on 9 June 2016, and are exercisable during the Exercisable Period. The remaining 30,000,000 Share Options will vest in two equal tranches on 9 June 2017 and 9 June 2018, respectively, after the completion of the Right Issue. Each of the said tranches has a 2-year exercisable period commencing on respective vesting date. Each of the holders of the said 45,000,000 Share Options has paid HK\$1 for the Share Options granted thereto pursuant to the terms and conditions of the share option scheme. Such consideration amounted to HK\$4 in aggregate. Pursuant to the Options Irrevocable Undertakings, the holders of the 15,000,000 Shares Options vested on 9 June 2016 have undertaken not to exercise such Share Options from the date of Options Irrevocable Undertakings or the commencement of the Exercisable Period (whichever is earlier) to completion or where applicable, lapse of the Rights Issue. Thus, no outstanding Share Options would be exercised prior to the completion or, where applicable, lapse of the Rights Issue. In addition to the above, as pursuant to the share option scheme of the Company, no Share Options may be transferred or assigned. As such, the Share Option holders who have given the Options Irrevocable Undertaking will not deal in the 15,000,000 Share Options, which have vested, in any manner such that no persons who are parties to the options or otherwise would be entitled to exercise the said 15,000,000 Share Options until the completion or, where applicable, the lapse or of the Rights Issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date 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 Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders; and (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:

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying 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	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
The Underwriter	–	–	–	–	5,202,547,805	34.49
Fung Shing Group Limited (Note 1)	588,150,756	7.80	1,176,301,512	7.80	1,176,301,512	7.80
Parkfield Holdings Limited (Note 1)	1,115,592,000	14.79	2,231,184,000	14.79	2,231,184,000	14.79
Ronastar Investments Limited (Note 1)	49,996,800	0.66	99,993,600	0.66	99,993,600	0.66
Mr. Ng (Notes 1 and 2)	278,331,600	3.69	556,663,200	3.69	556,663,200	3.69
Sub-total of the Underwriter, Mr. Ng and the companies controlled by him	2,032,071,156	26.94	4,064,142,312	26.94	9,266,690,117	61.43
Ms. Cheung (Notes 2 and 4)	307,507,789	4.08	615,015,578	4.08	615,015,578	4.08
Mr. Gorges (Note 4)	125,000,000	1.66	250,000,000	1.66	125,000,000	0.83
Mr. Paul Ng (Note 5)	292,500,000	3.88	585,000,000	3.88	292,500,000	1.94
Sub-total of the Underwriter and parties acting in concert with it	2,757,078,945	36.56	5,514,157,890	36.56	10,299,205,695	68.28
Hon. Raymond Arthur William Sears, Q.C. (Notes 2 and 3)	1,650,000	0.02	3,300,000	0.02	1,650,000	0.01
Public Shareholders (excluding the Underwriter, the parties acting in concert therewith and Directors)	4,783,397,805	63.42	9,566,795,610	63.42	4,783,397,805	31.71
Total	7,542,126,750	100.00	15,084,253,500	100.00	15,084,253,500	100.00

Notes:

1. Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited are wholly-owned by Mr. Ng, the sole director of each of the above companies. As such, Mr. Ng is the beneficial owner of the Shares held by such companies.
2. Mr. Ng, Ms. Cheung and Hon. Raymond Arthur William Sears, Q.C. are Directors.
3. The 1,650,000 Shares are the spouse interest of Hon. Raymond Arthur William Sears, Q.C.

LETTER FROM THE BOARD

4. The parties acting in concert with the Underwriter include Mr. 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, Ms. Cheung and Mr. Gorges are also a party acting in concert with it.
5. By virtue of being a close relative of Mr. Ng, Mr. Paul Ng is presumed to be a party acting in concert with Mr. Ng and, hence, the Underwriter under the Takeovers Code.

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, underwriting and wealth management services, property investment and investment holding.

As a result of continued expansion of commercial banks and financial institutions into brokerage and related businesses, the numerous acquisitions of local securities firms by Chinese and overseas investors and the increasing market share dominated by foreign owned banks and securities firms in Hong Kong financial markets, the Board believes that it is a requisite of local brokerage firms, like the Company, to increase its capital base for expanding its business operation and scale to maintain its market competitiveness. The Company will use its best effort to pursue its strategic goals and to take advantage of business opportunities as China continues to develop its capital markets to make them more open. To sharpen its competitiveness to meet the challenges ahead, it is necessary for the Company to increase its capital base to further develop its business, in particular:

- expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services. The expansion of lending business depends on the availability of the Group's capital resources and would enhance the Group's ability to broaden its client base as well as increase interest income. A larger amount of available funds would allow us to offer financing services to more clients and/or meet the needs of the clients (existing or prospective) who want higher credit limits better;
- entering into cooperative arrangements with Independent Third Parties to jointly establish a securities firm in China. As at the Latest Practicable Date, the Company had not identified any specific partner in mainland. Also, no specific timeline has been set for such cooperative arrangements which may involve investments in significant sum. In the absence of a strong capital base and readily available funds for such investment, the Company may not be able to grasp the opportunities in this respect;
- expanding the placing and underwriting business. The number of placing and underwriting transactions and the size of placing and underwriting transactions that the Group may undertake depends on the availability of its capital resources. The Company intends to further expand the placing and underwriting business by participating in more placing and underwriting transactions and placing and underwriting transactions of larger size; and

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- expanding the brokerage business so as to tap business opportunities arising from the stock connects among Hong Kong, Shanghai, Shenzhen and London through upgrading and improving the Group's information and technology infrastructure and trading platform, recruiting additional staff for sales and marketing team in Hong Kong, mainland China as well as the United Kingdom.

In view of the aforesaid proposed business plan, taking into account the Group's latest financial position, the Company has imminent fund raising needs. Certain activities set out in the abovementioned proposed plan are regulated activities under the SFC carried out by the Group's subsidiaries which are SFC licensed corporations that are required to comply with the financial resource requirement (i.e. minimum capital requirement) for further business expansion and also is restricted to obtain certain amount of bank borrowings and/or debt financing in accordance with the Securities and Futures Ordinance. Having considered these factors, the Directors are of the view that the Rights Issue will increase the capital base of the Group as well as provide additional funds at a reasonable cost 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, the Directors consider that fund raising through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Board are of the view 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\$497.8 million before expenses. The estimated expenses in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, underwriting commission, printing and translation expenses will be borne by the Company. The estimated net proceeds of the Rights Issue amounts to approximately HK\$489.3 million. The Company intends to apply the abovementioned net proceeds from the Rights Issue together with the part of the proceeds from the rights issue completed in June 2015 intended to be applied for the money lending business, which remained un-utilized, of approximately HK\$80.0 million (refer to the paragraph headed "Fund Raising Activities Involving Issue of Securities in the Past 12 Months" below for details), totaling approximately HK\$569.3 million, for its business plan stated in the paragraphs headed "Reasons for the Rights Issues" in the above as follows:

- approximately HK\$263.0 million for expanding lending businesses, including but not limited to margin financing, money lending, structured financing and other financing services based on the estimated amount of capital resources required;
- approximately HK\$280.0 million for establishing a securities joint venture in China based on the relevant minimum registered capital requirement and the shareholding of the joint venture which the Group targets to own;
- approximately HK\$20.0 million for expanding the placing and underwriting business based on the estimated amount of capital resources required; and

LETTER FROM THE BOARD

- the remaining sum of approximately HK\$6.3 million for developing the brokerage business and as general working capital of the Group.

To the extent that the proceeds are not immediately required, the Group will seek potential business opportunities in the securities and financial markets or may repay its bank borrowings so as to maximize the efficiency and return of such idle funds, broaden the income source and improve the financial position of the Group.

As at the Latest Practicable Date, based on the information available to the Board and the existing business plan of the Group, the Board's latest estimate on the Company's expected funding needs for the next 12 months would be approximately the sum of net proceeds from the Rights Issue and the balance of the proceeds from the rights issue completed in June 2015, which remained un-utilized, and in arriving at such estimation, the Board based on the assumption that the Group will be able to implement its business plans as scheduled and had taken into account the expected amount to be provided for funding the Group's lending, placing, underwriting and brokerage businesses and joint venture investment in PRC given the current market conditions.

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

The Company raised HK\$249.4 million (after deduction of costs and expenses incurred) in the rights issue completed in June 2015. Approximately HK\$58.6 million and HK\$94.6 million of the proceeds from the abovementioned rights issue have been used for the brokerage and margin financing business, respectively. Approximately HK\$16.2 million of the said proceeds has been used as working capital of the Group. Owing to the disposal of a subsidiary in November 2015, which is engaged in personal loan business, an amount of approximately HK\$80.0 million intended to be applied to the money lending business has been reserved for the Group's property related lending business. Meanwhile, the Group is exploring various lending products to widen its product offering. As mentioned in the paragraphs headed "Use of Proceeds" in the above, such sum will be utilized to fund the Group's lending businesses.

OFFER OF SHARES FOR SUBSCRIPTION WITHIN THE TWO PRECEDING YEARS

Save for the rights issue completed in June 2015 referred to in the preceding paragraph and the Rights Issue, there was no offer of Shares for subscription within the preceding two years. The amount of Shares offered for subscription, the amount actually allotted and the amount paid on the Shares so allotted in the previous rights issue mentioned above amounted to approximately HK\$251.4 million and the amount of underwriting commission paid to the underwriter for that rights issue amounted to approximately HK\$1.4 million.

ADJUSTMENT TO EXERCISE PRICE AND NUMBER OF SHARE OPTIONS

Adjustment to exercise price and number of Shares issuable upon the exercise of the Share Options may be required under the relevant terms of the share option scheme of the Company upon completion of the Rights Issue. The Company will notify the holders of the Share Options and the Shareholders by way of announcement, if and when necessary, upon completion of the Rights Issue and such adjustment, if required to be made, will be confirmed by its auditor.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE 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-paragraphs headed “Termination of the Underwriting Agreement” under the paragraphs headed “The Underwriting Agreement” above). Accordingly, the Rights Issue may or may not proceed.

The Shares have been dealt in on an ex-rights basis from Monday, 11 July 2016. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 22 July 2016 to Friday, 29 July 2016 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholder or other person dealing in 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) and any person dealing in the nil-paid Rights Shares during the period from Friday, 22 July 2016 to Friday, 29 July 2016 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

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

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

By the order of the Board
South China Financial Holdings Limited
Ms. Ng Yuk Mui Jessica
Executive Director

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (details of website addresses as set out below):

- (a) annual report of the Company for the year ended 31 December 2013 published on 24 April 2014 (pages 23-100)

https://www.sctrade.com/data/info_fr_pdf/en/20140424_64632.pdf

- (b) annual report of the Company for the year ended 31 December 2014 published on 28 April 2015 (pages 24-104)

https://www.sctrade.com/data/info_fr_pdf/en/20150428_51532.pdf

- (c) annual report of the Company for the year ended 31 December 2015 published on 28 April 2016 (pages 28-112)

https://www.sctrade.com/data/info_fr_pdf/en/20160427_51113.pdf

2. INDEBTEDNESS STATEMENT**Borrowing**

At the close of business on 31 May 2016, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this Prospectus, the Group had outstanding bank borrowings of approximately HK\$563,569,000, which represented (i) bank loans of HK\$262,306,000 secured by certain of the Group's time deposit, listed equity investments of the Group and its margin clients and shares to be allotted to its clients; and (ii) mortgage loans of approximately HK\$301,263,000 secured by the Group's investment properties.

Out of the total bank borrowings of approximately HK\$563,569,000, HK\$541,395,000 of secured bank loans and mortgage loans are guaranteed by the Company.

Save as the aforesaid and apart from normal accruals and payables in the ordinary course of business, the Group did not have any debt securities, issued or authorised or otherwise created but unissued, other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptance (other than normal trade bills), acceptance credits and hire purchase commitments and other mortgages and charges as at the close of business of 31 May 2016.

Contingent liabilities

As at the close of business on 31 May 2016, the Company had contingent liabilities relating to corporate guarantees provided in respect of banking facilities granted to certain subsidiaries of the Group of which approximately HK\$541,395,000 was utilized. Save as the aforesaid, the Group did not have any other material contingent liability, hire-purchase commitment or guarantee as at the close of business on 31 May 2016.

No material changes

The Directors have confirmed that, save as disclosed herein, there has not been any material change in the indebtedness and contingent liabilities of the Group since 31 May 2016, up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors after due and careful enquiry are of the opinion that, taking into account the available resources to the Group at present, the estimated net proceeds from the Rights Issue, the available banking facilities and the Group's internally generated funds, the Group will have sufficient working capital to satisfy its present requirements for at least 12 months following the date of this Prospectus in the absence of unforeseeable circumstance.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

In the first quarter of 2016, the Group has launched a new trading platform. In addition to the online stock trading services, the new trading platform has mobile trading features as well. Clients of the Group can trade not only Hong Kong stock but also U.S. stock and the A shares listed on the Shanghai Stock Exchange under the Shanghai-Hong Kong stock connect on the Group's new trading platform. Such upgrade in functions, features and accessibility enhances the competitiveness of the Group's brokerage business, enables the Group to serve its clients better and better position itself in recruiting new clients, in particular the investors who are used to trade online or by mobile devices. This would increase the utilization of the Group's trading platform which may, in turn, brings more opportunities for the Group to serve the Group's clients, existing or prospective, not only in securities trading but also in other areas in which the Group is specialized. To tap the business opportunities arising from the stock connect among Hong Kong, Shanghai, Shenzhen and London, the Group will further upgrade its trading platform in due course.

To cope with the keen competition in pricing of the securities brokerage service, the Group will keep on developing its margin financing business, which is a complement to its securities brokerage services, and put more effort in its money lending businesses.

To build on the existing network and client base, the Group has allocated more resources to its corporate and underwriting arm for its expansion. In view of the increase in the PRC enterprises' cross-border mergers and acquisitions and foreign investments, the Group is studying whether its London office can facilitate its corporate finance team's work in this respect. As mentioned in the sections headed "Reasons for the Rights Issue" and "Use of Proceeds" in the Letter from the Board, it is our plan to participate in more placing and underwriting transactions.

Given the growth in the PRC capital market and its connections, existing and proposed, with major international financial centers, including the Shanghai-Hong Kong stock connect and the proposed Shenzhen-Hong Kong stock connect and Shanghai-London stock connect, the Directors believe the PRC market as the one with good potential in the long run. As mentioned in the sections headed “Reasons for the Rights Issue” and “Use of Proceeds” in the Letter from the Board, subject to the opportunities which may arise and the availability of fund, it is the Group’s plan to enter the PRC market by establishing a securities firm joint venture with Independent Third Parties in PRC.

Interest rate hikes are anticipated in the U.S. while certain major central banks are expected to maintain their accommodative monetary policies. Although gradual improvement in economy was noted in the U.S., the recovery in Europe and Japan would be slow or sluggish. China is undergoing economic re-structuring and facing downward pressure in economic growth. Although it is expected that active fiscal policies will remain in force in China to promote economic growth in the foreseeable future, the market is concerned about the sustainability of the historical high growth rates of China. Given the divergences in global economies and monetary policies, it was expected that the capital market will remain volatile and the market environment will still be challenging in 2016.

To stand the challenge and strengthen our foundation in the long run, the Group will identify suitable business and investment opportunities in the volatile market with caution and continue to provide a broad range of financial services to its customers.

1. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2015.

The unaudited pro forma adjusted consolidated net tangible assets of the Group which has been prepared based on the consolidated net tangible assets of the Group derived from the consolidated financial position of the Group as at 31 December 2015, as extracted from the published annual report of the Company for the year ended 31 December 2015, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue.

Consolidated net tangible assets attributable to the shareholders of the Company as at 31 December 2015 <i>Note1</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>Note 2</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the shareholders of the Company immediately after completion of the Rights Issue <i>HK\$'000</i>	Consolidated net tangible assets of the Group per share as at 31 December 2015 <i>Note3</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after completion of the Rights Issue <i>Note 4</i>
Based on 7,542,126,750 Rights Issue at a Subscription Price of HK\$0.066 per Rights Share				
<u>670,164</u>	<u>489,280</u>	<u>1,159,444</u>	<u>HK\$0.089</u>	<u>HK\$0.077</u>

Notes:

1. The consolidated net tangible assets attributable to the shareholders of the Company as at 31 December 2015 is calculated based on the consolidated net assets attributable to the shareholders of the Company of approximately HK\$671,000,000 as at 31 December 2015 after deducting intangible assets of approximately HK\$836,000.
2. The estimated net proceeds from the Rights Issue of approximately HK\$489,280,000 is calculated based on 7,542,126,750 Rights Shares assuming to be issued on the completion of the Rights Issue (based on 7,542,126,750 Shares in issue as at the Latest Practicable Date) at the Subscription Price of HK\$0.066 per Rights Share and after deduction of estimated related expenses of approximately HK\$8,500,000.
3. The number of Shares used for the calculation of the consolidated net tangible assets of the Company per Share as at 31 December 2015 is based on 7,542,126,750 Shares of the Company in issue as at 31 December 2015.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share immediately after completion of the Rights Issue is calculated based on 15,084,253,500 Shares which comprise 7,542,126,750 Shares in issue as at 31 December 2015 and 7,542,126,750 Rights Shares assumed to be issued on completion of the Rights Issue.
5. Save as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2015.

2. REPORT ON THE UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this Prospectus.



Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Board of Directors
South China Financial Holdings Limited
28th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of South China Financial Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 31 December 2015 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the prospectus of the Company dated 20 July 2016 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue in the proportion of one rights share for every existing one share held on the record date (the “**Rights Issue**”) on the Group’s financial position as at 31 December 2015 as if the Rights Issue had taken place as at 31 December 2015. As part of this process, information about the Group’s consolidated net tangible assets has been derived by the Directors from the consolidated statement of financial position of the Group as at 31 December 2015, on which an audit report has been published.

Directors' responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 (“**AG 7**”) Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Rights Issue, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Rights Issue in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
20 July 2016

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

Under the Hong Kong Companies Ordinance (Cap. 622), the Company, a company incorporated in Hong Kong, does not have an authorised share capital and the Shares do not have a nominal value. The issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue (assuming no issue of new Shares other than the Rights Shares and no repurchases of Share in the period from the Latest Practicable Date to the date of completion of the Rights Issue) are as follows:

	<i>Number of Shares</i>
Shares in issue as at the Latest Practicable Date	7,542,126,750
Rights Shares to be issued and credit as fully paid	<u>7,542,126,750</u>
Shares in issue immediately upon completion of the Rights Issue	<u><u>15,084,253,500</u></u>

As at the Latest Practicable Date, the Company had 45,000,000 outstanding Share Options which will vest in the period from 9 June 2016 to 8 June 2020. Had such outstanding Share Options been vested and the subscription rights attached thereto been exercised in full, an additional 45,000,000 Shares (which entitle to 45,000,000 Rights Shares) would have been issued assuming no further grant of share option by the Company for the period from the Latest Practicable Date to the Record Date.

One-third of the abovementioned outstanding Share Options (i.e. 15,000,000 Share Options) will vest during the Exercisable Period. If, after the vesting of such Share Options on 9 June 2016, any of the said Share Option holders exercise any of his/her Share Options and become a Shareholder on or before the Record Date, the total number of Shares in issue on the Record Date will increase and the number of Rights Shares and, hence, the number of Underwritten Shares will increase accordingly. To facilitate the Rights Issue, such Share Option holders have given the Options Irrevocable Undertakings. With such Options Irrevocable Undertakings, the Company does not have to negotiate with the Underwriter for changes in the terms and conditions of the Underwriting Agreement as a result of the potential increase in the number of the Underwritten Shares due to the possible exercise of Share Options. The Options Irrevocable Undertakings will cease to be binding upon completion or, where applicable, lapse of the Rights Issue. As at the Latest Practicable Date, all the abovementioned holders of Share Options are employees of subsidiaries of the Company and did not hold any Shares.

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 Latest Practicable Date.

All Shares in issue rank pari passu in all respects with each other including, in particular, as to rights to dividends, voting rights and return of capital. The Rights Shares, when allotted, issued and fully paid, will rank pari passu with each other and the then existing Shares in issue in all aspects including rights to dividends, voting and return of capital.

Subsequent to 31 December 2015, the end of the last financial year of the Company, and up to the Latest Practicable Date, the Company had not issued any Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests in the Company or its associated corporations

As at the Latest Practicable Date, the interests of the Directors, the chief executives and their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or required to be recorded pursuant to section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Mr. Ng <i>(Note 7)</i>	Interests of controlled corporations <i>(Note 2 & 3)</i>	8,710,026,917 <i>(Note 8)</i>	57.74 <i>(Note 1)</i>
	Beneficial owner <i>(Note 4)</i>	556,663,200 <i>(Note 8)</i>	3.69 <i>(Note 1)</i>
Ms. Cheung <i>(Note 7)</i>	Beneficial owner <i>(Note 5)</i>	615,015,578 <i>(Note 8)</i>	4.08 <i>(Note 1)</i>
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse <i>(Note 6)</i>	1,650,000	0.01 <i>(Note 1)</i>

Notes:

1. Based on the enlarged issued share capital immediately after the completion of the Rights Issue as if the Rights Issue was completed on the Latest Practicable Date.
2. Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited, which held 588,150,756 Shares, 1,115,592,000 Shares and 49,996,800 Shares, respectively, as at the Latest Practicable Date, are wholly-owned by Mr. Ng. As such, Mr. Ng is deemed to be interested in the above-mentioned Shares, totalling 1,753,739,556 Shares under the SFO.
3. These include (i) the 1,753,739,556 Shares referred to in note 2 above; (ii) the collective interests of Fung Shing Group Limited, Parkfield Holdings Limited and Ronastar Investments Limited in 1,753,739,556 Rights Shares to be taken up by such companies pursuant to the Irrevocable Undertakings given by respective companies; and (iii) 5,202,547,805 Rights Shares underwritten by Uni-spark Investments Limited, the Underwriter.
4. These include the interests of Mr. Ng in 278,331,600 Rights Shares to be taken up by him pursuant to the Irrevocable Undertaking given by him.
5. These include the interests of Ms. Cheung in 307,507,789 Rights Shares to be taken up by her pursuant to the Irrevocable Undertaking given by her.
6. The 1,650,000 Shares are the spouse interests of Hon. Raymond Arthur William Sears, Q.C.
7. Mr. Ng is the sole beneficial owner of the Underwriter, while Ms. Cheung is one of the directors of the Underwriter. Thus, Mr. Ng and Ms. Cheung are parties acting in concert with the Underwriter.
8. The number of Shares held represents the number of Shares held by respective persons immediately after the 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had an interest or short position in any Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, entered in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, interests in the Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and the amount of each of such person's interests in such Shares, is as follows:

Name	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date (%)
Ms. Ng Lai King Pamela	Interest of spouse	9,266,690,117 <i>(Note 2)</i> <i>(Note 7)</i>	61.43 <i>(Note 1)</i>
Fung Shing Group Limited	Beneficial owner	1,176,301,512 <i>(Note 3)</i> <i>(Note 7)</i>	7.80 <i>(Note 1)</i>
Parkfield Holdings Limited	Beneficial owner	2,231,184,000 <i>(Note 4)</i> <i>(Note 7)</i>	14.79 <i>(Note 1)</i>
Uni-spark Investments Limited	Beneficial owner	5,202,547,805 <i>(Note 5)</i> <i>(Note 7)</i>	34.49 <i>(Note 1)</i>
Tek Lee Finance And Investment Corporation Limited	Interest of a controlled corporation	5,202,547,805 <i>(Note 5)</i> <i>(Note 7)</i>	34.49 <i>(Note 1)</i>
South China (BVI) Limited	Interest of a controlled corporation	5,202,547,805 <i>(Note 5)</i> <i>(Note 7)</i>	34.49 <i>(Note 1)</i>
Fortunate Keen Limited	Interest of a controlled corporation	5,202,547,805 <i>(Note 5)</i> <i>(Note 7)</i>	34.49 <i>(Note 1)</i>
Yeung Wing Yee	Beneficial owner	682,950,000 <i>(Note 6)</i>	4.53 <i>(Note 1)</i>

Notes:

1. Based on the enlarged issued share capital immediately after the completion of the Rights Issue as if the Rights Issue was completed on the Latest Practicable Date.
2. Ms. Ng Lai King Pamela is the spouse of Mr. Ng. By virtue of such spouse interests in the Shares, Ms. Ng Lai King Pamela is deemed to be interested in Mr. Ng's interests in the Shares under the SFO.
3. Fung Shing Group Limited is wholly-owned by Mr. Ng. The number of Shares held by Fung Shing Group Limited includes its interests in 588,150,756 Shares as at the Latest Practicable Date and 588,150,756 Rights Shares to be taken up by it pursuant to the Irrevocable Undertaking given by Fung Shing Group Limited.
4. Parkfield Holdings Limited is wholly-owned by Mr. Ng. The number of Shares held by Parkfield Holdings Limited includes its interests in 1,115,592,000 Shares as at the Latest Practicable Date and 1,115,592,000 Rights Shares to be taken up by it pursuant to the Irrevocable Undertaking given by Parkfield Holdings Limited.
5. Uni-spark Investments Limited, the Underwriter, is wholly-owned by Tek Lee Finance And Investment Corporation Limited, which is wholly-owned by South China (BVI) Limited. South China (BVI) Limited is wholly-owned by Fortunate Keen Limited, which is, in turn, wholly-owned by Mr. Ng. The number of Shares held in Uni-spark Investments Limited includes its interests in 5,202,547,805 Rights Shares underwritten by it.
6. Yeung Wing Yee holds 682,950,000 Shares, representing 9.06% of the issued capital as at the Latest Practicable Date, or 4.53% of the enlarged issued share capital 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.
7. The number of Shares held represents the number of Shares held by respective persons immediately after the 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.

Save as disclosed above, so far as is known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no other person (other than the Director or the chief executive of the Company as disclosed in the above) had or deemed or taken to have an interest or a short position in any Shares, underlying Shares or debentures of the Company or its associated corporations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or had any option in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group nor were there any service agreements proposed which would not expire or be determinable by the members of the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, save for the Underwriting Agreement, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

The Company and South China Assets Holdings Limited (“SCAH”), a company listed on The Growth Enterprise Market of the Stock Exchange, have certain common directors. The principal activities of SCAH include property investment and development, money lending and provision of investment advisory and asset management services.

Mr. Ng, Ms. Cheung and Ms. Jessica Ng, all being Executive Directors of the Company, are also the executive directors of SCAH. Mr. Gorges, a former Director resigned on 12 November 2015, is an executive director of SCAH.

Mr. Ng is also the chairman of the board and the controlling shareholder of SCAH. Ms. Cheung and Mr. Gorges are the directors and substantial shareholders of a controlled corporation of Mr. Ng which currently holds 10.29% interest in SCAH directly and 9.74% indirect interest in SCAH through its wholly-owned subsidiary as at the Latest Practicable Date. Mr. Ng together with his associates currently hold 64.92% interest in SCAH as at the Latest Practicable Date.

The Group undertakes a wide range of financial services businesses of sizable operation scale and with solid client portfolio while SCAH is in the course of diversifying into the financial services businesses.

The above-mentioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCAH compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCAH, which consists of nine members, and to the best of the knowledge of the Directors, and the Group is capable of carrying on its businesses independently and at arm's length from the businesses of SCAH. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCAH is considered to be relatively remote.

Save as disclosed above and other than being appointed as directors to represent the interests of the Company and/or the Group, none of the Directors or their respective associates had interest in any business which compete or is likely to compete, either directly or indirectly, with the businesses of the Group as at the Latest Practicable Date.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this Prospectus:

Name	Qualifications
Ernst & Young	Certified Public Accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of their reports or letters or their names in the form and context in which they respectively appear.

Ernst & Young does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young does not have any direct or indirect interests in any assets which have been, since 31 December 2015 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

Save for the agreements set out below, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the sale and purchase agreement dated 18 May 2015 entered into between the Company and Wealth Anchor Holdings Limited, a wholly-owned subsidiary of South China Assets Holdings Limited (formerly known as South China Land Limited, a company of which Mr. Ng being the controlling shareholder) in respect of the disposal of the entire interest in South China Asset Management Limited, a company engaged in provision of asset management and investment advisory services, at cash consideration at net asset value of South China Assets Management Limited as at 30 April 2015 of HK\$5.6 million according to the management accounts thereof (subject to adjustment to align such consideration amount to the net asset value provided in the completion accounts).

- (b) the sale and purchase agreement dated 5 November 2015 entered into among the Company, Mr. Ng Yuk Fung Peter (a son of Mr. Ng), Mr. Ng Yuk Yeung Paul (a son of Mr. Ng and a then executive Director) and Prosperous Global Holdings Limited, a wholly-owned subsidiary of South China Assets Holdings Limited (formerly known as South China Land Limited, a company of which Mr. Ng being the controlling shareholder) in respect of the disposal of the entire interest in South China Financial Credits Limited, a company engaged in money lending business, at cash consideration at net asset value of South China Financial Credits Limited as at 15 October 2015 of HK\$20.8 million according to the management accounts thereof (subject to adjustment to align such consideration amount to the net asset value provided in the completion accounts should the difference between the net asset value as at 15 October 2015 and the net asset value per the completion account exceeds HK\$100,000).
- (c) the Underwriting Agreement.

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges payable by the Company are estimated to be approximately HK\$8.5 million.

11. CORPORATION INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

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

Head office and principal place of business in Hong Kong and office address of all Directors and the authorised representative of the Company 28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

Executive directors Mr. Ng Hung Sang
12A, Belleview Garden
5 Belleview Drive
Repulse Bay, Hong Kong

Ms. Cheung Choi Ngor
Unit C, Casa Pino
154 Waterloo Road
Kowloon Tong, Kowloon
Hong Kong

Ms. Ng Yuk Mui Jessica
7/F, Repulse Bay Garden
32 Belleview Drive
Repulse Bay, Hong Kong

Independent non-executive directors	Hon. Raymond Arthur William Sears, Q.C. 3A, Ewan Court, 54-56 Kennedy Road Hong Kong
	Mrs. Tse Wong Siu Yin Elizabeth Block 25, Flat 11A, Baguio Villa 555 Victoria Road Hong Kong
	Mr. Tung Woon Cheung Eric Flat F, 30/F, Tower 1, The Victoria Towers 188 Canton Road Tsim Sha Tsui Kowloon, Hong Kong
Chief executive officer	Dr. Wang Wei Hsin Flat E, 10/F, Tower 3 The Avenue, Phase 2 200 Queen's Road East Wanchai, Hong Kong
Authorised representative	Ms. Cheung Choi Ngor 28th Floor, Bank of China Tower 1 Garden Road, Central Hong Kong
Registrar and transfer office	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Auditors and Reporting accountants	Ernst & Young <i>Certified public accountants</i> 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Principal Bankers	Standard Chartered Bank (Hong Kong) Limited 13/F, Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
	Bank of Communications Co., Limited 1/F, 67-71 King's Road North Point, Hong Kong

Chong Hing Bank Limited
1/F, Fung Lok Commercial Building
163 Wing Lok Street, Sheung Wan
Hong Kong

Bank of China (Hong Kong) Limited
3/F, Bank of China Tower
1 Garden Road
Hong Kong

Nanyang Commercial Bank, Limited
2/F, 151 Des Voeux Road
Central, Hong Kong

Hang Seng Bank Limited
11/F, 83 Des Voeux Road
Central, Hong Kong

The Bank of East Asia, Limited
G/F, 10 Des Voeux Road
Central, Hong Kong

Dah Sing Bank, Limited
35/F, Dah Sing Financial Center
108 Gloucester Road
Wanchai, Hong Kong

Industrial and Commercial Bank of China (Asia) Limited
33/F, ICBC Tower
3 Garden Road
Central, Hong Kong

Wing Hang Bank Limited
2/F, 161 Queen's Road Central
Central, Hong Kong

China Construction Bank (Asia) Limited
28/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

DBS Bank (Hong Kong) Limited
18/F, The Center
99 Queen's Road Central
Central, Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central,
Hong Kong

China CITIC Bank International Limited
80/F, International Commerce Centre
1 Austin Road West,
Kowloon, Hong Kong

Public Bank (Hong Kong) Limited
1/F, Public Bank Centre
120 Des Voeux Road
Central, Hong Kong

Fubon Bank (Hong Kong) Limited
3/F, Fubon Bank Building
38 Des Voeux Road
Central, Hong Kong

Chiyu Banking Corporation Ltd.
4/F, No. 78 Des Voeux Road
Central, Hong Kong

CIMB Bank Berhad
Units 6706B – 08A, Level 67
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Shanghai Pudong Development Bank Co., Limited
No.90 Zhongshan East Road,
Nanjing, PRC

Stock code

00619

Website

<http://www.sctrade.com>

**Underwriters and
parties acting in
concert with it**

Uni-spark Investments Limited
28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

Ng Hung Sang
12A Belleview Garden
5 Belleview Drive
Repulse Bay
Hong Kong

Cheung Choi Ngor
Unit C, Casa Pino
154 Waterloo Road
Kowloon Tong, Kowloon
Hong Kong

Richard Howard Gorges
7th Floor, A2, Wisdom Court
5 Hatton Road
Hong Kong

Ng Yuk Yeung Paul
8th Floor, Repulse Bay Garden
28 Belleview Drive
Repulse Bay
Hong Kong

Fung Shing Group Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

Parkfield Holdings Limited
P.O. Box 71
Craigmuir Chambers
Road Town, Tortola
British Virgin Islands

Ronastar Investments Limited
P.O. Box 957
Offshore Incorporations Centre
Road Town, Tortola
British Virgin Islands

**Joint financial advisers
to the Company**

Octal Capital Limited
801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

South China Capital Limited
28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

**Legal adviser to the Company
as to Hong Kong laws**

Chiu & Partners
40/F, Jardine House
1 Connaught Place
Hong Kong

12. PARTICULAR OF THE DIRECTORS AND CHIEF EXECUTIVE OFFICER**Executive Directors**

Mr. Ng Hung Sang, aged 66, is an executive Director, the chairman and a member of the executive committee of the Company. He is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of each of South China Holdings Company Limited (“**SCHC**”), which ordinary shares are listed on the Main Board of the Stock Exchange and South China Assets Holdings Limited (“**SCAH**”), which ordinary shares are listed on the Growth Enterprise Market of the Stock Exchange. He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director on 7 December 1988. He is the father of Ms. Jessica Ng, an executive Director and the executive vice chairman of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 63, is an executive Director, the vice chairman and a member of the executive committee of the Company. She is also an executive director, a vice chairman and the chief executive officer of SCHC, which ordinary shares are listed on the Main Board of the Stock Exchange, and an executive director of SCAH, which ordinary shares are listed on the Growth Enterprise Market of the Stock Exchange. Ms. Cheung also holds several directorships in certain subsidiaries of the Group. She holds a Master degree in business administration from University of Illinois in the United States of America. Ms. Cheung is a member of the National Committee of the Chinese People’s Political Consultative Conference. Ms. Cheung was appointed as a Director on 7 December 1988.

Ms. Ng Yuk Mui Jessica, aged 38, is an executive Director, the executive vice chairman and a member of the executive committee of the Company. Ms. Ng is also a non-executive director of SCHC, which ordinary shares are listed on the Main Board of the Stock Exchange, and an executive director and the executive vice chairman of SCAH, which ordinary shares are listed on the Growth Enterprise Market of the Stock Exchange. She is the executive vice chairman of South China Media Limited. Ms. Jessica Ng holds a Bachelor degree in Law from King’s College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People’s Political Consultative Conference. She was appointed as a Director on 12 November 2015. Ms. Jessica Ng is the daughter of Mr. Ng, an executive Director, the Chairman and a substantial shareholder of the Company.

Independent non-executive Directors

Hon. Raymond Arthur William Sears, Q.C., aged 83, is an independent non-executive Director, a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He is a retired High Court Judge and holds a Master’s degree in Law from Cambridge University in the United Kingdom. Mr. Sears became a Queen’s Counsel in 1975 and was a former vice-chairman of the Judicial Section of the International Bar Association. In the United Kingdom, he had been a leading Counsel in England to the Government and large Authorities on redevelopment and construction projects and to the General Medical Council. In 1986 and 1987, Mr. Sears was a Justice of the Supreme Court of Hong Kong and the Commissioner to the Sultan of Brunei, respectively. From 1994 to 1999, he was a Senior Civil High Court Judge. Mr. Sears was appointed as a Director on 24 March 2000.

Mrs. Tse Wong Siu Yin Elizabeth, aged 58, is an independent non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committee of the Company. She is also an independent non-executive director of SCHC, which ordinary shares are listed on the Main Board of the Stock Exchange. Mrs. Tse is also the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and a member of Small and Medium Enterprises Committee. Mrs. Tse received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree of Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as a Director on 25 November 1992.

Mr. Tung Woon Cheung Eric, aged 45, is an independent non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. He is the assistant president and general manager of the finance department of Beijing Enterprises Holdings Limited, a company listed on the Main Board of the Stock Exchange; an executive director, the chief financial officer and company secretary of Beijing Enterprises Water Group Limited, a company listed on the Main Board of the Stock Exchange; an independent non-executive director of GR Properties Limited, a company listed on the Main Board of the Stock Exchange; the company secretary of Biosino Bio-technology and Science Incorporation, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Tung graduated from York University, Toronto, Canada with a bachelor honours degree in administrative studies. He is a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants and a U.S. Certified Public Accountant of The American Institute of Certified Public Accountants. Mr. Tung was appointed as a Director on 21 September 2004.

Chief Executive Officer

Dr. Wang Wei Hsin, aged 50, was appointed as the chief executive officer of the Company on 3 May 2016. Prior to joining the Company, he served as a chairman and chief executive officer of SinoPac Securities (Asia) Limited and was responsible for the business development and operations in Asia since 2009. Prior to that, he was chief investment officer for Japan CDW Group and chief financial officer of its Taiwan subsidiary, as well as having played significant roles in Yes-Asia.com and China Development Industrial Bank. Dr. Wang possesses a PhD in Management Science (Financial Engineering) from Imperial College London and was the fellow of Royal Society of Statistics during 1999 to 2000.

13. BINDING EFFECT

The Prospectus Documents, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus, the PAL and the EAF, having attached thereto the written consent referred to under the paragraph headed “Expert and Consent” in this appendix and each of the material contracts as referred to in the section headed “Material Contracts” in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to section 38D of the Companies (WUMP) Ordinance.

15. MISCELLANEOUS

The English text of this Prospectus and the PAL and EAF shall prevail over the Chinese text for the purpose of interpretation.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the office of the Company at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any weekday, except public holidays, and (ii) on the websites of the Company (www.sctrade.com) during the period of 14 days from the date of this Prospectus.

- (a) the memorandum and articles of association of the Company;
- (b) the memorandum and articles of association of the Underwriter;
- (c) the annual reports of the Company for the two years ended 31 December 2015;
- (d) the material contracts (including the Underwriting Agreement) as referred to in the section headed “Material Contracts” in this appendix;
- (e) the written consent referred to in the section headed “Expert and Consent” in this appendix;
- (f) the accountant’s report on the unaudited pro forma financial information of the Group issued by Ernst & Young, the text of which is set out in Appendix II to this Prospectus;
- (g) the Irrevocable Undertakings;
- (h) the Options Irrevocable Undertakings;
- (i) the Circular; and
- (j) this Prospectus.