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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

CONNECTED TRANSACTION PROPOSED EXTENSION OF THE MATURITY DATE OF HK\$50,000,000 CONVERTIBLE BONDS DUE 2023

PROPOSED EXTENSION OF THE MATURITY DATE OF THE CONVERTIBLE BONDS

On 16 May 2022 (after trading hours), the Company and the Bondholder entered into the Supplemental Agreement, pursuant to which the Company and the Bondholder conditionally agreed to extend the Maturity Date by three (3) years from 30 June 2023 to 30 June 2026 by way of execution of the Amendment Deed.

LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for the approval of the Proposed Extension pursuant to Rule 28.05 of the Listing Rules.

The Bondholder is wholly and beneficially owned by Mr. Ng, who is an executive Director and a substantial Shareholder and is directly and indirectly beneficially holding 88,937,607 Shares (representing approximately 29.52% of the total number of issued Shares) as at the date of this announcement. Accordingly, the Bondholder is a connected person of the Company under Chapter 14A of the Listing Rules.

Therefore, the Proposed Extension to be effected by the Supplemental Agreement entered into between the Company and the Bondholder constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the EGM. The Bondholder and its associates, namely Mr. Ng, Uni-Spark, Ronastar, Parkfield, Fung Shing and Mr. Paul Ng, holding approximately 33.57% of the total number of issued Shares in aggregate as at the date of this announcement, shall abstain from voting at the EGM to be convened to consider and, if thought fit, to approve the Proposed Extension as contemplated under the Supplemental Agreement.

The Independent Board Committee has been established by the Board to advise the Independent Shareholders in relation to the Proposed Extension as contemplated under the Supplemental Agreement.

APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

First Shanghai Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Extension as contemplated under the Supplemental Agreement.

GENERAL

A circular containing, among other things, (i) details of the Convertible Bonds and the Proposed Extension; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transaction contemplated thereunder; and (iv) the notice of the EGM and a form of proxy will be despatched to the Shareholders on or before 7 June 2022.

Warnings: The Proposed Extension is subject to the fulfilment of a number of conditions set out in the Supplemental Agreement. As such, the transaction contemplated under the Supplemental Agreement may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

BACKGROUND INFORMATION

The Company refers to its announcements dated 7 April 2020, 17 April 2020 and 30 June 2020 and its circular dated 15 May 2020 (the “**Circular**”). As described in the Circular, the Company issued the Convertible Bonds to the Bondholder in an aggregate principal amount of HK\$50,000,000, bearing no interest. As at the date of this announcement, the Convertible Bonds with an aggregate amount of HK\$50,000,000 held by the Bondholder are still outstanding. All outstanding Convertible Bonds will mature on 30 June 2023 pursuant to the terms and conditions of the Convertible Bonds.

For further details of the Convertible Bonds, please refer to the Circular.

PROPOSED EXTENSION

After arm's length negotiations, the Company and the Bondholder entered into the Supplemental Agreement on 16 May 2022, pursuant to which the Company and the Bondholder conditionally agreed to extend the Maturity Date by three (3) years from 30 June 2023 to 30 June 2026.

The Proposed Extension will be effective by way of execution of the Amendment Deed. Save for the Proposed Extension, all other terms and conditions of the Convertible Bonds shall remain unchanged.

The Proposed Extension is subject to the fulfilment (or waiver, other than conditions (a), (b) and (c) below) of the following conditions:

- (a) the Stock Exchange granting the approval in relation to the Proposed Extension as contemplated under the Supplemental Agreement in accordance with the Listing Rules;
- (b) the passing by the Independent Shareholders of all necessary resolution(s) at the EGM to approve the Proposed Extension as contemplated under the Supplemental Agreement;
- (c) all necessary consents and approvals in respect of the Proposed Extension as contemplated under the Supplemental Agreement (including but not limited to the necessary approvals to be obtained under the Listing Rules) having been obtained; and
- (d) the Company and the Bondholder shall have passed all the necessary resolution(s) of the board of directors or obtained necessary internal approval approving, among other things, the terms of and the transactions contemplated under the Supplemental Agreement.

Save as condition (d), none of the above conditions precedent shall be waived by the parties to the Supplemental Agreement. The Amendment Deed shall not be executed by the Company and have no effect unless and until all the conditions precedent set out above are fulfilled or waived (as the case may be).

REASONS FOR AND BENEFITS OF THE PROPOSED EXTENSION

The Company is an investment holding company. The principal activities and business of the Group consist of securities, commodities and bullion broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services, asset and wealth management, property investment, media publications and financial public relation services, sale of jewellery products and investment holding.

The Proposed Extension will allow the Group to enjoy more flexibility in planning its financial resources as the extended Maturity Date will enable the Group to prioritize the use of its financial resources to fund its operations, business development and potential investments in the long run which have been materially affected by the COVID-19 instead of repayment of the Convertible Bonds upon its maturity, which in turn aims at maximizing the returns to the Shareholders. As such, the Directors (not including Mr. Ng (who have

material interest in the Proposed Extension) and Ms. Jessica Ng who is an associate of Mr. Ng) preliminarily consider that the terms and conditions of the Supplemental Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The members of the Independent Board Committee will express their view after having considered the recommendation in form of a letter of advice from the Independent Financial Adviser.

INFORMATION ON THE BONDHOLDER

The Bondholder is an investment holding company. The Bondholder is wholly and beneficially owned by Mr. Ng, who is an executive Director and a substantial Shareholder, as at the date of this announcement.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rule 28.05 of the Listing Rules, any alterations in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such convertible debt securities. The Company will apply to the Stock Exchange for the approval of the Proposed Extension pursuant to Rule 28.05 of the Listing Rules.

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Therefore, the Proposed Extension to be effected by the Supplemental Agreement entered into between the Company and the Bondholder constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the EGM. The Bondholder and its associates, namely Mr. Ng, Uni-Spark, Ronastar, Parkfield, Fung Shing and Mr. Paul Ng, holding approximately 33.57% of the total number of issued Shares in aggregate as at the date of this announcement, shall abstain from voting at the EGM to be convened to consider and, if thought fit, to approve the Proposed Extension as contemplated under the Supplemental Agreement.

The Independent Board Committee has been established by the Board to advise the Independent Shareholders in relation to the Proposed Extension as contemplated under the Supplemental Agreement.

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Warnings: The Proposed Extension is subject to the fulfilment of a number of conditions set out in the Supplemental Agreement. As such, the transaction contemplated under the Supplemental Agreement may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Amendment Deed”	the supplemental deed of Instrument to be executed by the Company on the Effective Date for the Proposed Extension
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	board of the Directors
“Bondholder”	Total Grace Investments Limited, a company incorporated in the BVI, which is wholly and beneficially owned by Mr. Ng, being the subscriber under the Subscription Agreement
“Business Day”	a day (other than a Saturday, Sunday or public holiday and days on which a typical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which licensed banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong whose Shares are listed on the Main Board of the Stock Exchange
“Conditions”	terms and conditions of the Convertible Bonds as set out in the Instrument

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Convertible Bonds”	the outstanding HK\$50,000,000 convertible bonds issued by the Company to the Bondholder on 30 June 2020
“Director(s)”	director(s) of the Company
“Effective Date”	a date determined in accordance with the Supplemental Agreement, subject to fulfilment of all conditions precedent set out therein
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Supplemental Agreement and the transaction contemplated thereunder
“Fung Shing”	Fung Shing Group Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Ng
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	an independent board committee of the Board established by the Board, comprising all the independent non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric, to advise the Independent Shareholders as to the fairness and reasonableness of the terms and conditions of the Supplemental Agreement and as to voting at the EGM
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Supplemental Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders, other than the Bondholder and its associates who are required to abstain from voting at the EGM pursuant to the Listing Rules
“Instrument”	the instrument constituting the Convertible Bonds, as amended and supplemented from time to time

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the third (3rd) anniversary of the date of first issue of the Convertible Bonds, i.e. 30 June 2023
“Mr. Ng”	Mr. Ng Hung Sang, an executive Director and a substantial Shareholder
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, son of Mr. Ng
“Ms. Jessica Ng”	Ms. Ng Yuk Mui Jessica, daughter of Mr. Ng
“Parkfield”	Parkfield Holdings Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Ng
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of PRC and Taiwan
“Proposed Extension”	the proposed amendment to the Conditions as contemplated under the Supplemental Agreement and to be effected by way of execution of the Amendment Deed, i.e. the extension of the Maturity Date from 30 June 2023 to 30 June 2026
“Ronastar”	Ronastar Investments Limited, a company incorporated in the BVI with limited liability and wholly and beneficially owned by Mr. Ng
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Convertible Bonds pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 7 April 2020 and entered into between the Company and the Bondholder in relation to the Subscription
“Supplemental Agreement”	the supplemental agreement dated 16 May 2022 entered into between the Company and the Bondholder to effect the Proposed Extension by way of execution of the Amendment Deed by the Company

“Uni-Spark”

Uni-Spark Investments Limited, a company incorporated in Hong Kong with limited liability and wholly and beneficially owned by Mr. Ng

“%”

per cent.

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

Hong Kong, 16 May 2022

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