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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)

DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SUBSIDIARIES

THE DISPOSAL

The Board announces that on 31 May 2024 (after trading hours of the Stock Exchange), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Companies entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Companies, at the total consideration of HK\$1.00. Upon Completion, the Target Companies will cease to be subsidiaries of the Group. Therefore, the financial results of each of the Target Companies will not be consolidated into the Group's financial statements thereafter.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is a company wholly-owned by Mr. Paul Ng who is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (other than the profits ratio) are less than 25% and the total consideration is less than HK\$10,000,000, the Disposal is subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2)(b) of the Listing Rules.

Given that one or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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

INTRODUCTION

The Board announces that on 31 May 2024 (after trading hours of the Stock Exchange), the Vendor (an indirect wholly-owned subsidiary of the Company), the Purchaser and the Target Companies entered into the Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares, representing the entire issued share capital of the Target Companies, at the total consideration of HK\$1.00. Upon Completion, the Target Companies will cease to be subsidiaries of the Group. Therefore, the financial results of each of the Target Companies will not be consolidated into the Group's financial statements thereafter.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date	31 May 2024
Parties	Vendor as vendor; Purchaser as purchaser; Target Company A; and Target Company B

Disposal

Pursuant to the Agreement, the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares which represent the entire issued share capital of the Target Companies as at the date of this announcement. Upon Completion, the Target Companies will cease to be subsidiaries of the Group. Therefore, the financial results of each of the Target Companies will not be consolidated into the Group's financial statements thereafter.

Consideration

The Consideration is HK\$1.00, which is payable by the Purchaser to the Vendor (or such other party as it may direct in writing) in cash or such other manner on the Completion Date or such other period as the Purchaser and the Vendor may agree in writing.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to (i) the audited net deficiency in assets of the Target Company A of approximately HK\$44,033,000 and HK\$38,470,000 for the two years ended 31 December 2021 and 31 December 2022 respectively and the audited net asset value of the Target Company B of approximately HK\$3,247,000 and HK\$3,355,000 for the two years ended 31 December 2021 and 31 December 2022 respectively as well as the unaudited net deficiency in assets of the Target Company A of approximately HK\$38,272,000 as at 31 December 2023 and the unaudited net asset value for the Target Company B of approximately HK\$2,468,000 as at 31 December 2023; and (ii) the factors set out in the section headed "Reasons for and benefits of the Disposal".

The Directors are of the view that the Disposal was fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Conditions precedent

Completion is conditional upon the following conditions, *among others*, having been satisfied or waived by the Purchaser (as the case may be):

- (a) there having been no breach of the Vendor's warranties (subject to the Agreement) from the date of the Agreement up to and inclusive of the Completion Date;
- (b) due diligence review of the corporate, financial, operations, contractual and trading positions of each of the Target Companies;
- (c) clearance or waiver of all balances (both debit and credit) of inter-company current accounts between and amongst any Target Company A or Target Company B and any other subsidiaries (including the connected person of such other subsidiaries and their respective connected persons (as defined in the Listing Rules)) of the Company to the reasonable satisfaction of the Purchaser, for the purpose of having zero balance in all such current accounts;
- (d) transfer and/or assignment of all rights, titles and interests in and to certain trademarks (subject to the Agreement) from its respective registered owners to the Target Company A or such other party(ies) as directed in writing by the Purchaser absolutely without any encumbrance subject to the Agreement; and
- (e) transfer and/or assignment of all rights, titles and interests in and to the websites and control over the maintenance and operation of the websites (including but not limited to the registration of its respective domain name, website hosting and coding) from its respective owners to the Target Company A absolutely without any encumbrance (subject to the Agreement) for the purposes that the websites are solely owned and controlled by the Target Company A.

Completion

Subject to the fulfillment of all the above conditions precedent (or waived by the Purchaser), Completion shall take place on the Completion Date.

INFORMATION ON THE TARGET COMPANIES

Target Company A

As at the date of this announcement, the Target Company A is a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company by virtue of the Vendor holding 100% direct and indirect interest in the total issued share capital of the Target Company A and is a company directly carrying on the Business.

Set out below are summaries of certain key financial information of the Target Company A as extracted from its audited financial statements for the years ended 31 December 2021 and 2022 and unaudited financial statements for the year ended 31 December 2023:

	For the financial year ended 31 December		
	2021	2022	2023
	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(audited)	(audited)	(unaudited)
Revenue	4,990	7,110	7,422
Profit/(Loss) before tax	(2,357)	5,563	198
Profit/(Loss) after tax	(2,357)	5,563	198

As at 31 December 2023, unaudited net deficiency in assets of the Target Company A of approximately HK\$38,272,000 was based on the unaudited financial statements of the Target Company A.

Target Company B

As at the date of this announcement, the Target Company B is a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company by virtue of the Vendor holding 100% direct and indirect interest in the total issued share capital of the Target Company B and is a company used for offering and maintaining employments to all employees for discharging various duties to support the Business.

Set out below are summaries of certain key financial information of the Target Company B as extracted from its audited financial statements for the years ended 31 December 2021 and 2022 and unaudited financial statements for the year ended 31 December 2023:

	For the financial year ended 31 December		
	2021	2022	2023
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(audited)	(audited)	(unaudited)
Revenue	—	—	—
Profit/(Loss) before tax	(150)	108*	(887)
Profit/(Loss) after tax	(150)	108*	(887)

* The profit before/after tax for the year ended 31 December 2022 includes a non-recurring other income from the Hong Kong government subsidies resulting from the pandemic which were available to all companies in Hong Kong, i.e. the financial result without taking into account of the subsidies for the year ended 31 December 2022 should have been a loss of HK\$1,284,000

As at 31 December 2023, unaudited net asset value for the Target Company B of approximately HK\$2,468,000 was based on the unaudited financial statements of the Target Company B.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The business performance of the Target Companies over the past several years was not able to achieve the objectives despite the change of strategies by enhancing business model from the traditional print model to digital model. Given the overall economy of Hong Kong has yet been fully recovered from the turmoil of pandemic due to both financial and political factors which have led some major clients of the Target Companies to be more conservative in expenditures in public relationship events and advertisements and settlement of the outstanding receivables, and therefore the Business has been substantially affected. For the purpose of continuing the core business of the Company in financial services such as carrying on securities and futures brokerage, securities advisory services, corporate finance advisory services, asset management services, insurance brokerage and all services incidental thereto, the Board considered that the Disposal may lead the Group to focus its resources in the financial services which would be having better prospect, in particular, various policies and schemes of soliciting the PRC nationals to visit, settle and invest in Hong Kong as promoted by the Hong Kong government.

In view of the above, the Directors, including the independent non-executive Directors, are of the view that the terms of the Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and its Shareholders as a whole notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Subject to review and confirmation by the auditors of the Company, as of the Completion date, the Group expected that no material profit or loss shall be recognised from the Disposal because of the aggregate net deficiency of the Target Companies of approximately HK\$36,478,000 as at 31 March 2024 and the clearance of the current accounts between and amongst the Target Companies and the other members of the Group.

Upon Completion, the Company will no longer have any interest in the Target Companies and the Target Companies will cease to be subsidiaries of the Group. Therefore, the financial results of each of the Target Companies will not be consolidated into the Group's financial statements thereafter.

INFORMATION OF THE PARTIES TO THE AGREEMENT

The Company

The Company is an investment holding company. The principal activities and businesses of the Group are of carrying on regulated activities under the SFO — Type 1 (dealing securities, including brokerage and margin financing), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management); insurance broking, mandatory provident fund (MPF) broking and property investment etc..

The Vendor

The Vendor is an investment holding company and incorporated in the British Virgin Islands, which is an indirect wholly-owned subsidiary of the Company and holding 100% direct and indirect interest in each of the Target Companies as at the date of this announcement.

The Purchaser

The Purchaser is an investment holding company and incorporated in the British Virgin Islands, which is wholly-owned by Mr. Paul Ng who is a connected person of the Company under Chapter 14A of the Listing Rules.

Target Company A

The Target Company A is a company incorporated in Hong Kong and is directly engaged in the Business, which is an indirect wholly-owned subsidiary of the Company.

Target Company B

The Target Company B is a company incorporated in Hong Kong and is principally used for offering and maintaining employments to all employees for discharging various duties to support the Business, which is an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Purchaser is a company wholly-owned by Mr. Paul Ng who is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As such, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the percentage ratios (other than the profits ratio) are less than 25% and the total consideration is less than HK\$10,000,000, the Disposal is subject to the reporting and announcement requirements and is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 14A.76(2)(b) of the Listing Rules.

Given that one or more of the applicable percentage ratios (set out in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Mr. Paul Ng is considered to have a material interest in the Disposal, therefore, he abstained from voting on the Board resolutions to approve the Agreement and the transactions contemplated thereunder. Save and except for the aforesaid, none of the Directors has any material interest in the Disposal and was required to abstain from voting on the Board resolutions approving the Disposal and the Agreement.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company 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:

“Agreement”	the sale and purchase agreement dated 31 May 2024 entered into between and amongst the Vendor, the Purchaser, the Target Company A and the Target Company B in respect of the Disposal
“Board”	board of the Directors
“Business”	the media publications and financial public relation services particularly in publishing and distribution of the magazine namely “Capital 資本雜誌 CEO 資本才俊 Entrepreneur 資本企業家”, media advertising and marketing activities
“Business Day”	a day (other than Saturday, Sunday, public holiday and days on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” or an “extreme condition signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open in Hong Kong for general banking business

“Company”	South China Financial Holdings Limited, a company incorporated in Hong Kong whose shares are listed and traded on the Main Board of the Stock Exchange (stock code: 00619)
“Completion”	completion of the sale and purchase of the Sale Shares (i.e., the sale and purchase of both the Sale Shares A and the Sale Shares B shall be complete simultaneously) in accordance with and subject to the terms and conditions of the Agreement
“Completion Date”	the date of Completion, which shall be a date falling within one (1) Business Day after the fulfillment of all conditions precedent specified in the Agreement, or such other date as may be agreed by the parties thereto in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of HK\$1.00 payable by the Purchaser to the Vendor for the Sale Shares
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares (all but not part of it) by the Vendor to the Purchaser in accordance with and subject to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Paul Ng”	Mr. Ng Yuk Yeung Paul, an executive Director, and the sole shareholder and the sole director of the Purchaser
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Four Seas Travel Group (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly-owned by Mr. Paul Ng
“Sale Shares”	Sales Shares A and Sales Shares B

“Sale Shares A”	two (2) ordinary shares in the share capital of the Target Company A, representing 100% of the total issued share capital of the Target Company A, to be bought and sold pursuant to the Agreement
“Sale Shares B”	two (2) ordinary shares in the share capital of the Target Company B, representing 100% of the total issued share capital of the Target Company B, to be bought and sold pursuant to the Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	Target Company A and Target Company B
“Target Company A”	Capital Publishing Limited, a company incorporated in Hong Kong, which is owned by the Vendor, and an indirect wholly-owned subsidiary of the Company
“Target Company B”	Capital Publishing Management Limited, a company incorporated in Hong Kong, which is owned by the Vendor, and an indirect wholly-owned subsidiary of the Company
“Vendor”	Media Bonus Limited, a company incorporated in the British Virgin Islands with limited liability, which is an indirect wholly-owned subsidiary of the Company
“%”	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, 31 May 2024

As at the date of this announcement, the Directors are:

Executive Directors

Mr. Ng Hung Sang
Ms. Cheung Choi Ngor
Ms. Ng Yuk Mui Jessica
Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mrs. Tse Wong Siu Yin Elizabeth
Hon. Raymond Arthur William Sears, K.C.
Mr. Tung Woon Cheung Eric
Mr. Lam Douglas Tak Yip, SC