
LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)

Ms. Cheung Choi Ngor (*Vice Chairman*)

Ms. Ng Yuk Mui Jessica

(Executive Vice Chairman and Chief Executive Officer)

Mr. Ng Yuk Yeung Paul

Registered office:

28th Floor, Bank of China Tower

1 Garden Road, Central

Hong Kong

Independent non-executive Directors:

Mr. Tung Woon Cheung Eric

Mrs. Tse Wong Siu Yin Elizabeth

Ms. Li Yuen Yu Alice

4 December 2025

To the Shareholders

Dear Sirs,

**CONNECTED TRANSACTION
PROPOSED EXTENSION OF THE MATURITY DATE OF
HK\$50,000,000 CONVERTIBLE BONDS
AND
NOTICE OF THE EGM**

INTRODUCTION

Reference is made to (i) the Previous Announcements and the Previous Circulars; and (ii) the announcement dated 6 November 2025 in relation to the Proposed Extension.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Proposed Extension; (ii) the letter of recommendation from the Independent Board Committee to approve the Proposed Extension as contemplated under the Second Supplemental Agreement; (iii) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders in relation to the Proposed Extension as contemplated under the Second Supplemental Agreement; and (iv) the notice of EGM together with the proxy form.

LETTER FROM THE BOARD

PROPOSED ALTERATION OF THE TERMS OF THE CONVERTIBLE BONDS

Background

Reference is made to the Previous Announcements and the Previous Circulars in relation to, among other things, the issuance by the Company of the Convertible Bonds to the Bondholder.

As at the Latest Practicable Date, the Convertible Bonds remain outstanding in full and will mature on 30 June 2026 being the Maturity Date.

Second Supplemental Agreement and Proposed Extension

On 6 November 2025 (after trading hours), the Company and the Bondholder entered into the Second Supplemental Agreement, pursuant to which the Company and the Bondholder conditionally agreed to extend the Maturity Date by three (3) years from 30 June 2026 to 30 June 2029 by way of execution of the Second Supplemental Deed.

Save for the Proposed Extension, all other terms and conditions of the Convertible Bonds shall remain unchanged.

The Second Supplemental Agreement is conditional upon and subject to the following conditions:

- (i) the Stock Exchange granting the approval in relation to the Proposed Extension in accordance with Rule 28.05 of the Listing Rules;
- (ii) the passing by the Independent Shareholders of all necessary resolution(s) at the EGM to approve the Proposed Extension and the transactions contemplated under the Second Supplemental Agreement;
- (iii) all necessary consents and approvals in respect of the Proposed Extension and the transactions as contemplated under the Second Supplemental Agreement (including but not limited to the necessary approvals to be obtained under the Listing Rules) required to be obtained by the Company having been obtained; and
- (iv) the Listing Committee of the Stock Exchange having granted listing of, and permission to, deal in the Conversion Shares to be issued upon the exercise of conversion rights attached to the Convertible Bonds.

None of the aforesaid conditions can be waived. An application will be made by the Company to the Stock Exchange for the approval and permission of conditions (i) and (iv). If any of the aforesaid conditions is not fulfilled by the Long Stop Date, the Second Supplemental Agreement will automatically cease and terminate and the parties thereto shall be released from all obligations and liabilities thereunder, if any.

LETTER FROM THE BOARD

Principal terms of the Convertible Bonds after the Proposed Extension

The principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and the Bondholder and are summarised as follows:

Issuer:	The Company
Principal amount:	HK\$50,000,000
Issue price:	100% of the principal amount of the Convertible Bonds
Interest rate:	Nil
Maturity Date:	The date falling on the ninth (9th) anniversary of the Issue Date, or, if that is not a Business Day, the first Business Day thereafter.
Status:	The Convertible Bonds constitute direct, unsecured, unsubordinated and unconditional obligations of the Company and rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall, subject to such exceptions as may be provided by applicable laws, rank at least <i>pari passu</i> with all its other present and future direct, unsecured, unsubordinated and unconditional obligations.
Conversion right:	Subject as provided in the terms of the Convertible Bonds, the Convertible Bonds are convertible in whole or in part into new Shares any time during the period commencing from the Issue Date, at the Conversion Price, subject to adjustment in accordance with the terms of the Convertible Bonds. Any conversion shall be made in amounts of not less than a whole multiple of HK\$10,000,000 and no fraction of a Share shall be issued on conversion.

LETTER FROM THE BOARD

If the issue of Conversion Shares following the exercise by a Bondholder of the conversion rights attaching to the Convertible Bonds held by such Bondholder would result in:

- (i) such Bondholder and parties acting in concert with it (within the meaning of the Takeovers Code), taken together, directly or indirectly exceeding 2% creeper rule under Rule 26.1 of the Takeovers Code within any 12-month period from a holding of voting rights of between 30% and 50% and a mandatory general offer obligation will be triggered under the Takeovers Code, unless (a) such Bondholder and parties acting in concert with it comply with the Takeovers Code and make a general offer to acquire for all the Shares not already owned by them; or (b) a whitewash waiver to waive the requirement for such Bondholder and parties acting in concert with it to make the mandatory general offer is approved by the Independent Shareholders and is granted by the Executive before the date of completion of the conversion; or
- (ii) a mandatory general offer obligation being triggered under the Takeovers Code in respect of such Bondholder and the parties acting in concert with it (within the meaning of the Takeovers Code), unless either (a) such Bondholder and parties in concert with it comply with the Takeovers Code and make a general offer to acquire for all the Shares not already owned by them; or (b) a whitewash waiver to waive the requirement for such Bondholder and parties acting in concert with it to make the mandatory general offer is approved by the Independent Shareholders and is granted by the Executive before the date of completion of the conversion; or
- (iii) the Company not meeting the Public Float Requirement immediately after the conversion,

LETTER FROM THE BOARD

then the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not in the reasonable opinion of the Company result in a breach of the Public Float Requirement, mandatory general offer being triggered under the Takeovers Code and the balance of the conversion rights attaching to the Convertible Bonds which the Bondholder sought to convert shall be suspended until such time when the Company is able to issue additional Shares in satisfaction of the exercise of the said balance of conversion rights attaching to the Convertible Bonds and at the same time comply with the Public Float Requirement or without triggering a mandatory general offer under the Takeovers Code or the general offer is made by such Bondholder or Shareholder and parties acting in concert with it respectively or a whitewash waiver is approved and granted (as the case may be) as set out above.

Conversion period: The holder(s) of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares for the period commencing from the Issue Date up to 4:00 p.m. on the Maturity Date (Hong Kong time).

Cash settlement option clause: In the event that the issue of Shares upon exercise of the conversion rights under the Convertible Bonds would result in breach of the Company's obligations of the Public Float Requirement under the Listing Rules, the Company will be allowed, to pay to the relevant Bondholder an amount of cash in HK dollars equal to the cash settlement amount (the "**Cash Settlement Amount**") in order to satisfy such conversion right, in full or in part as determined at the sole discretion of the Company (and if settled in part by cash, the balance shall be satisfied by the delivery of Shares) (the "**Cash Settlement Option**") such that the Public Float Requirement would be met upon exercise of the conversion rights under the Convertible Bonds. The Cash Settlement Amount consists of the product of (i) the number of Shares otherwise deliverable upon exercise of the conversion right in respect of the Convertible Bond(s) to which the conversion notice applies, and in respect of which the Company has elected the Cash Settlement Option; and (ii) the average of the closing price of the Shares for each day during the five (5) consecutive trading days immediately after the date of the notice given by the Company to the relevant Bondholder(s) informing its intention to exercise the Cash Settlement Option.

LETTER FROM THE BOARD

Conversion Price: The Conversion Price is initially HK\$0.22 per Conversion Share, subject to adjustment provisions as summarised below.

Adjustments events: The initial Conversion Price will be subject to adjustment arising from any of the following events which would result in alteration in the capital structure of the Company becoming effective prior to the Conversion Date:

- (i) *capitalisation of profits or reserves* — if and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account) including Shares paid up out of distributable profits or reserves and/or share premium account issued;
- (ii) *rights issue or other offer of securities to holders of Shares (including any securities convertible into Shares or warrants or options to subscribe for any Shares)* — if and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares; or
- (iii) *consolidation or sub-division of the Shares or reduction of the share capital of the Company or otherwise howsoever* — if and whenever there shall be an alteration of the share capital of the Company as a result of consolidation, subdivision or reclassification,

except where any such event is specifically exempted under the terms and conditions of the Convertible Bonds, including but not limited to any issue or grant of Shares, options or other securities of the Group wholly or partly convertible into, or rights to acquire, Shares to the Directors or employees of the Group or their personal representatives pursuant to an employee share scheme of the Group.

LETTER FROM THE BOARD

In any such alteration in the capital structure of the Company, instead of having a fixed adjustment methodology for compulsory adjustment to the Conversion Price, the Company shall prior to the date of conversion of the Convertible Bonds instruct an Approved Professional Adviser to consider whether any adjustment should be made to the Conversion Price in order to fairly and appropriately reflect the relative interests of the Company and the Bondholder(s). The Directors shall make an adjustment to the Conversion Price in such manner as an Approved Professional Adviser certifies to be, in its opinion, appropriate.

Further provisions in relation to adjustment to Conversion Price:

- (1) Where more than one event gives or may give rise to an adjustment occurs within such a short period of time that the Approved Professional Adviser considers in good faith that the operation of the above provisions would need to be subject to some modifications in order to give the intended commercial result, such modifications shall be made to the operation of the above provisions as may be advised by the Approved Professional Adviser, acting as an expert, to be in its opinion appropriate in order to give such intended result.
- (2) No adjustment will be made (i) where Shares are allotted or issued pursuant to any exercise of the conversion rights or (ii) upon any issue or grant of Shares, options or other securities of the Group wholly or partly convertible into, or rights to acquire, Shares to directors or employees of the Group or their personal representatives pursuant to an employee share scheme of the Group.
- (3) No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares.

In the event that the initial Conversion Price is adjusted pursuant to the adjustment events set out hereinabove, which in turn results in the total number of Conversion Shares to be issued exceeding the maximum number of Shares authorized for issuance under the specific mandate for the Conversion Shares, such exceeding part will not be eligible for conversion but be settled in cash or other means to be mutually agreed in writing between the Bondholder and the Company.

LETTER FROM THE BOARD

Conversion Shares to be issued under the Convertible Bonds: The number of Shares to be issued upon conversion of the Convertible Bonds shall be determined by dividing the principal amount of the relevant Convertible Bonds to be converted by the Conversion Price in effect on the relevant conversion date.

Upon exercise of the conversion rights under the Convertible Bonds in full at the initial Conversion Price of HK\$0.22 per Conversion Share and assuming there is no change to the total number of issued Shares from the Latest Practicable Date and the date of exercise in full of the conversion rights under the Convertible Bonds, a total of 227,272,727 Conversion Shares will be issued, representing:

- (i) approximately 75.44% of the total number of issued Shares as at the Latest Practicable Date; and
- (ii) approximately 43.00% of the total number of issued Shares as enlarged by the issue of Conversion Shares.

The theoretical dilution effect of the issue of the Conversion Shares at the Conversion Price calculated based on the benchmark price of approximately HK\$0.29 (being the average closing price in the five (5) trading days immediately before the date of the Second Supplemental Agreement) is approximately 10.4% and thus the issue of the Conversion Shares at the Conversion Price will not result in a theoretical dilution effect of 25% or more on its own as referred to under Rule 7.27B of the Listing Rules. The cumulative theoretical dilution effect in aggregation with the conversion shares to be issued in relation to the HK\$89,840,000 convertible bonds, as disclosed in the announcement of the Company dated of 6 November 2025, calculated based on the benchmark price of approximately HK\$0.29 is approximately 7.8%. The Company will continue to comply with Rule 7.27B of the Listing Rules after the Proposed Extension.

Redemption upon maturity: Any Convertible Bond which remains outstanding by 4:00 p.m. (Hong Kong time) on the Maturity Date shall be redeemed by the Company at a redemption amount equal to the principal amount of the outstanding Convertible Bonds together with interest accrued thereon (if any).

Redemption by the Company: The Company may at any time during the period commencing from the Issue Date and expiring on the Maturity Date redeem the whole or part of the outstanding Convertible Bonds by giving the Bondholder(s) not less than seven (7) Business Days' prior written notice at the redemption amount which is 100% of the principal amount of the outstanding Convertible Bonds to be redeemed.

LETTER FROM THE BOARD

Redemption by the Bondholder(s):	Bondholder(s) will have the unconditional right at any time during the period commencing from the Issue Date and expiring on the Maturity Date to require the Company to redeem the whole or part of the outstanding Convertible Bonds by giving the Company not less than thirty (30) days' (or such other period to be mutually agreed between the Bondholder and the Company in writing) prior written notice at the redemption amount which is 100% of the principal amount of the outstanding Convertible Bonds to be redeemed.
Redemption upon events of default:	Upon the occurrence of an event of default as described below and at any time thereafter, the Bondholder(s) may, unless such event of default has been waived in writing by it, by notice in writing, require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds at the redemption amount provided in the instrument constituting the Convertible Bonds whereupon such sum shall become due and payable in the manner provided in the instrument constituting the Convertible Bonds on the tenth (10th) Business Day after the date of such notice.
Voting rights:	The Convertible Bonds shall not confer on the Bondholder(s) the right to vote at any general meetings of the Company.
Listing:	No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
Transferability:	<p>Subject to the satisfaction of warranties stipulated in the instrument constituting the Convertible Bonds (or, if capable of being remedied, has been remedied) and subject to the Company's prior written consent, the Convertible Bonds may be transferred to any person in whole multiples of HK\$10,000,000 (or such lesser amount as may represent the entire principal amount thereof). A transfer shall be effected by delivery of a certificate issued in the name of the Bondholder issued in respect of that Convertible Bond, with an instrument of transfer duly completed and signed by both the transferor and the transferee. No transfer of title to any Convertible Bond will be effective unless and until entered on the register of Bondholders.</p> <p>Subject to the Listing Rules, the Convertible Bonds may not be transferred to connected persons of the Company.</p>

LETTER FROM THE BOARD

Events of default: If, among others, any one of the following events occurs, the holder(s) of the Convertible Bonds may give notice to the Company that the Convertible Bonds are immediately due and payable at their principal amount:

- (1) **Other default:** a default is made by the Company in the performance or observance of any covenant, condition or provision contained in the instrument constituting the Convertible Bonds or in the Convertible Bonds and on its part to be performed or observed (other than the covenant to pay the principal and premium (if any) in respect of any of the Convertible Bonds) and such default continues for the period of fourteen (14) days immediately following the service by any holder of the Convertible Bonds on the Company of notice specifying brief details of such default and requiring such default to be remedied; or
- (2) **Breach of Subscription Agreement:** a material breach of any of the terms of the Subscription Agreement, including a breach of any warranty therein which is not discovered until after the issue and delivery of the Convertible Bonds; or
- (3) **Dissolution of the Company and Disposals:** a resolution is passed or an order of a court of competent jurisdiction is made that the Company be wound up or dissolved or the Company disposes of all or substantially all of its assets, otherwise, in any such case, than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reorganisation, the terms of which shall have previously been approved in writing by an ordinary resolution of holders of the Convertible Bonds; or
- (4) **Encumbrances:** an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Company; or
- (5) **Distress etc.:** a distress, execution or seizure before judgment is levied or enforced upon or sued out against a material part of the assets or undertaking or property of the Company and is not discharged within seven (7) days thereof; or

LETTER FROM THE BOARD

- (6) **Trading suspension and delisting:** if trading of the Shares are suspended by the Stock Exchange for more than thirty (30) consecutive trading days other than as a result of a suspension for clearance of an announcement or circular pursuant to Chapters 14 and/or 14A of the Listing Rules or the Takeovers Code (to the extent relevant to a suspension in the case of a takeover) or listing of the Shares on the Stock Exchange are being revoked or withdrawn; or
- (7) **Insufficient shares:** save and except where otherwise provided in the instrument constituting the Convertible Bonds, if there is not a sufficient number of Shares available for the fulfilment of the obligations regarding the conversion of the Convertible Bonds.

Undertakings by the Company: The Company has covenanted to the Bondholder, among other things, that so long as any Convertible Bonds remains outstanding:

- (i) it will notify the Bondholder(s) in writing immediately upon becoming aware of the occurrence of any event of default;
- (ii) it will send to the Bondholder(s) as soon as reasonably practicable and in any event within five (5) days after being so requested in writing by any Bondholder(s) a certificate of the Company signed by any two of its directors on behalf of the Company setting out, based on the register of Bondholders maintained by or on behalf of the Company, the total number of Convertible Bonds which, at the date of such certificate, were held by or on behalf of the Company or its subsidiaries and which had not been cancelled;
- (iii) it will comply with and perform and observe all the provisions of the instrument constituting the Convertible Bonds which are expressed to be binding on it;
- (iv) upon the exercise of any conversion rights attached to the Convertible Bonds pursuant to the conditions set out in the instrument constituting the Convertible Bonds, it will allot the number of Shares in respect of which conversion rights are exercised subject to and in accordance with such conditions;

LETTER FROM THE BOARD

- (v) it will ensure that all Shares allotted pursuant to an exercise of the conversion rights attached to the Convertible Bonds shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant registration date and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Shares after the relevant registration date other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor falls on or before the relevant registration date and notice of the amount and record date for which shall have been given to the Stock Exchange, and the Bondholder(s) prior to the relevant registration date and, for this purpose, the notice to the Bondholder(s) may take the form of sending a copy of the relevant announcement published on the Stock Exchange to them; and
- (vi) it will at all times use its reasonable endeavours to ensure that the minimum public shareholding requirement of the Listing Rules is complied with.

Reasons for and benefits of the Proposed Extension

Given the current financial situation of the Company and subsequent to the discussions with the Bondholder, it is not practicable for the Company to repay the principal of the Convertible Bonds upon the original Maturity Date. By extending the Maturity Date pursuant to the Second Supplemental Agreement and the Second Supplemental Deed, it would enable the Company to postpone a substantial cash outflow so as to ease the financial burden of the Group to repay the principal of the Convertible Bonds. It also facilitates the Group in securing alternative financial resources to fulfil its payment obligations under the Convertible Bonds and provides the Group with greater financial flexibility in the deployment of its working capital for its current and new business operations and development, such as broking, margin financing, corporate advisory and sponsorship, asset and wealth management, equity capital market, property investment and provision of services to corporations in respect of arranging overseas conventions, exhibitions and travels.

Given the Convertible Bonds is carrying zero coupon rate, all other financing alternatives to raise funds to settle the Convertible Bonds including bank borrowings and equity financing are not meaningful alternatives.

In view of the above factors, the Board (including the members of the Independent Board Committee who have taken into account the advice of the Independent Financial Adviser) is of the view that the terms and conditions of the Second Supplemental Agreement and the transactions contemplated thereunder (including the Proposed Extension) are on normal commercial terms, fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

Information of the parties

The Company is an investment holding company. Its principal subsidiaries are principally engaged in broking, margin financing, corporate advisory and underwriting, asset and wealth management as well as property investment.

The Bondholder is an investment holding company, which is wholly and beneficially owned by Mr. Ng who is an executive Director and a substantial Shareholder as at the Latest Practicable Date.

Effect on shareholding structure of the Company

Assuming that there is no change in the Shares from the Latest Practicable Date, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon conversion of the convertible bonds not resulting Total Grace and the parties acting in concert with it exceeding the 2% creeper rule under Rule 26.1 of the Takeover Code; (iii) immediate upon full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28 per conversion shares; (iv) immediate upon full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share; and (v) immediate upon (a) full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28; and (b) full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share will be as follows:

	As at the Latest Practicable Date		Upon conversion of the convertible bonds not resulting Total Grace and the parties acting in concert with it exceeding the 2% creeper rule under Rule 26.1 of the Takeover Code		Immediate upon full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28 per conversion share		Immediate upon full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share		Immediate upon (a) full conversion of the whole principal of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.28 per conversion share and (b) full conversion of the whole principal of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share	
	No. of Shares	Approximately %	No. of Shares	Approximately %	No. of Shares	Approximately %	No. of Shares	Approximately %	No. of Shares	Approximately %
Uni-Spark	7,178,761	2.38	7,178,761	2.36	7,178,761	1.15	7,178,761	1.36	7,178,761	0.85
Fung Shing	23,526,030	7.81	23,526,030	7.73	23,526,030	3.78	23,526,030	4.45	23,526,030	2.77
Parkfield	44,623,680	14.81	44,623,680	14.66	44,623,680	7.17	44,623,680	8.44	44,623,680	5.25
Ronastar	1,999,872	0.66	1,999,872	0.66	1,999,872	0.32	1,999,872	0.38	1,999,872	0.24
Mr. Ng	13,005,264	4.32	13,005,264	4.27	13,005,264	2.09	13,005,264	2.46	13,005,264	1.53
Total Grace	0	0.00	3,146,000	1.03	0	0.00	227,272,727	43.00	227,272,727	26.76
Thousand China	0	0.00	0	0.00	320,857,142	51.57	0	0.00	320,857,142	37.77
Mr. Ng and his close associates	90,333,607	29.98	93,479,607	30.71	411,190,749	66.09	317,606,334	60.09	638,463,476	75.17
Mr. Paul Ng	14,988,000	4.97	14,988,000	4.92	14,988,000	2.41	14,988,000	2.84	14,988,000	1.76
Ms. Cheung	13,598,311	4.51	13,598,311	4.47	13,598,311	2.19	13,598,311	2.57	13,598,311	1.60
Mr. Richard Howard Gorges	5,000,000	1.66	5,000,000	1.64	5,000,000	0.80	5,000,000	0.95	5,000,000	0.59
Parties acting in concert (Mr. Ng and his close associates, Mr. Paul Ng, Ms. Cheung and Mr. Richard Howard Gorges)	123,919,918	41.13	127,065,918	41.74	444,777,060	71.49	351,192,645	66.44	672,049,787	79.12
Public Shareholders	177,357,152	58.87	177,357,152	58.26	177,357,152	28.51	177,357,152	33.56	177,357,152	20.88
TOTAL	301,277,070	100.00	304,423,070	100.00	622,134,212	100.00	528,549,797	100.00	849,406,939	100.00

LETTER FROM THE BOARD

For illustrative purpose only, the maximum number of Conversion Shares to be issued upon exercise of the conversion rights of the Convertible Bonds would be approximately 3,146,000 assuming there is no mandatory general offer being triggered by the Bondholder under the Takeovers Code.

The Independent Shareholders should note that the number of Conversion Shares to be issued pursuant to such conversion shall be limited to the maximum number of Shares issuable by the Company which would not result in (i) a breach of the public float requirement under the Listing Rules; and (ii) a mandatory general offer being triggered under the Takeovers Code, and the balance number of the Conversion Shares attaching to the Convertible Bonds will not be issued until (i) the Company is able to comply with the aforesaid issues of public float and mandatory general offer; or (ii) a general offer is made by such Bondholder and parties acting in concert with it respectively; or (iii) a whitewash waiver is approved and granted by the SFC (as the case may be).

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 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 90,333,607 Shares (representing approximately 29.98% of the total number of issued Shares) as at the Latest Practicable Date. Accordingly, the Bondholder is a connected person of the Company under Chapter 14A of the Listing Rules.

As Mr. Ng, Ms. Jessica Ng (an associate of Mr. Ng) and Mr. Paul Ng (another associate of Mr. Ng), who have material interest in all transactions as contemplated under the Second Supplemental Agreement, have abstained from voting on the board resolutions approving the Second Supplemental Agreement and all transactions contemplated thereunder.

Therefore, the Proposed Extension to be effected by the Second 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 34.96% of the total number of issued Shares in aggregate as at the Latest Practicable Date, 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 Second Supplemental Agreement at the EGM.

LETTER FROM THE BOARD

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tung Woon Cheung Eric, Mrs. Tse Wong Siu Yin Elizabeth and Ms. Li Yuen Yu Alice, has been established to consider the terms of the Second Supplemental Agreement and the Proposed Extension as contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Second Supplemental Agreement and the Proposed Extension as contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Gransing Securities Co., Limited has been appointed as an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Extension as contemplated under the Second Supplemental Agreement.

EGM

The EGM will be held at to consider and, if thought fit, pass the resolutions to approve, among other things, the Second Supplemental Agreement and the transactions as contemplated thereunder. The resolutions in relation to the Second Supplemental Agreement and the transactions as contemplated thereunder at the EGM will be voted on by the Independent Shareholders by way of poll.

Save for Mr. Ng and his associates (namely, Uni-Spark, Ronastar, Parkfield, Fung Shing, Mr. Paul Ng and Ms. Jessica Ng), Ms. Cheung and Mr. Richard Howard Gorges and their respective associates, holding approximately 41.13% of the total number of issued Shares in aggregate as at the Latest Practicable Date, no other Shareholder had a material interest in the Proposed Extension, and is required to abstain from voting on the resolution to be proposed at the EGM.

The notice convening the EGM to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Monday, 12 January 2026 at 10:30 a.m. is set out on pages EGM-1 and EGM-2 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, the share registrar of the Company, at Suites 3301–04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the list of shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 9 January 2026 to Monday, 12 January 2026 (both dates inclusive). No transfer of shares of the Company will be registered during these days. In order to qualify to attend and vote at the EGM, all instruments of transfer together with the relevant share certificate(s) must be lodged with Union Registrars Limited, the share registrar of the Company, at Suites 3301–04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 8 January 2026.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation from the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Second Supplemental Agreement and the transactions as contemplated thereunder; and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Second Supplemental Agreement and the transactions as contemplated thereunder.

The Board including the Independent Board Committee after having considered the advice of the Independent Financial Adviser considers that the Second Supplemental Agreement and the transactions as contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommends that the Independent Shareholders vote in favour of the resolution relating to the Second Supplemental Agreement and the transactions as contemplated thereunder at the EGM.

FURTHER INFORMATION

Your attention is drawn to the information set out in the appendix to this circular and the notice of the EGM.

Warnings: The Proposed Extension is subject to the fulfilment or waiver (as the case may be) of a number of conditions, including but not limited to approval of the Second Supplemental Agreement and the transactions as contemplated thereunder by the Independent Shareholders at the EGM. As such, all transactions as contemplated under the Second Supplemental Agreement may or may not proceed.

Shareholders and potential investors of the Company 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.

Yours faithfully
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