



SOUTH CHINA FINANCIAL HOLDINGS LIMITED
南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2007

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 are as follows:–

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
		<i>Unaudited</i>	<i>Unaudited</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	111,152	78,528
Other revenue	2	1,860	4,108
Gains on disposal of available-for-sale financial assets		72,413	551
Fair value gains/(losses) on financial assets at fair value through profit or loss		11,538	(6,157)
Reversal of impairment/(impairment) of loans receivable		7,380	(7,333)
Other operating expenses		(99,592)	(60,372)
Profit from operating activities		104,751	9,325
Finance costs	5	(2,360)	(1,962)
Profit before tax	3	102,391	7,363
Tax	6	(126)	(42)
Profit for the period		102,265	7,321
Attributable to:			
Equity holders of the Company		102,254	7,295
Minority interests		11	26
		102,265	7,321
Interim Dividend	7	20,044	–
Earnings per share	8		
Basic		2.04 HK cent	0.15 HK cent
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2007	As at 31 December 2006
		<i>Unaudited</i>	<i>Audited</i>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,598	3,580
Investment property		162,000	162,000
Intangible assets		836	836
Other assets		6,549	6,916
Available-for-sale financial assets	9	–	23,193
Loans receivable	10	7,657	5,979
Deferred tax assets		2,785	2,787
		<hr/>	<hr/>
Total non-current assets		183,425	205,291
CURRENT ASSETS			
Financial assets at fair value through profit or loss	11	126,228	81,162
Loans receivable	10	1,212,869	207,726
Trade receivables	12	234,138	69,811
Other receivables, prepayments and deposits		18,103	14,697
Tax recoverable		6,936	7,149
Pledged time deposits		5,750	5,750
Cash held on behalf of clients		489,853	363,372
Cash and cash equivalents		103,904	96,007
		<hr/>	<hr/>
Total current assets		2,197,781	845,674
CURRENT LIABILITIES			
Client deposits		507,653	361,719
Trade payables	12	228,747	85,669
Tax payable		1,871	1,835
Other payables and accruals		20,740	10,050
Amount due to intermediate holdings company		9,863	–
Interest-bearing bank and other borrowings	13	1,096,147	172,031
		<hr/>	<hr/>
Total current liabilities		1,865,021	631,304
NET CURRENT ASSETS			
		332,760	214,370

		As at 30 June 2007	As at 31 December 2006
		<i>Unaudited</i> <i>HK\$'000</i>	<i>Audited</i> <i>HK\$'000</i>
	<i>Notes</i>		
TOTAL ASSETS LESS CURRENT LIABILITIES		516,185	419,661
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	13	53,629	46,196
Deferred tax liabilities		5,412	5,412
Total non-current liabilities		59,041	51,608
Net assets		457,144	368,053
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		125,222	125,122
Reserves		310,856	221,900
Proposed dividend		20,044	20,020
		456,122	367,042
Minority interests		1,022	1,011
Total equity		457,144	368,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. Accounting policies

The unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the compliance with Hong Kong Accounting Standards No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These interim financial statements should be read in conjunction with the 2006 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

The following new and revised HKFRSs are adopted for the first time for the current period's financial statements:

HKAS 1	Amendment Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the preparation of these interim financial statements.

2. Turnover and Other Revenue

	Six months ended 30 June	
	2007	2006
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Turnover		
Commission and brokerage income	65,586	42,929
Profit on trading of securities, bullion and futures contracts, net	10,340	4,630
Dividend income from listed investments	131	953
Interest income from loans receivable	19,571	16,992
Interest income from bank and financial institutions	9,030	7,483
Rendering of services	3,484	5,160
Gross rental income	3,010	381
	111,152	78,528
Other revenue		
Handling fee income	1,071	963
Others	789	3,145
	1,860	4,108

3. Profit before tax

	Six months ended 30 June	
	2007	2006
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
The Group's profit is arrived at after charging:		
Cost of services provided	29,863	20,766
Depreciation	1,085	1,077
Interest expenses for margin financing and money lending operations	9,705	7,941

4. Turnover and segmental information

An analysis of the Group's consolidated turnover and contribution to profit/(loss) from operating activities by business segments for the six months ended 30 June 2007 and 2006 is as follows:

	2007	2006	2007	2006	2007	2006	2007	2006
			Profit/ (loss) from operating activities	Profit/ (loss) from operating activities	Assets	Assets	Liabilities	Liabilities
	Revenue HK\$'000	Revenue HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities broking	66,161	46,202	18,415	9,762	761,631	369,078	657,382	308,303
Securities trading and investment	10,472	5,583	65,923	(2,266)	126,585	89,320	6,205	101
Margin financing and money lending	29,379	25,324	21,885	4,777	1,310,106	224,201	1,140,717	128,430
Corporate advisory and underwriting	4,265	5,693	(1,280)	(690)	2,125	11,949	399	126
Property investment	3,547	591	2,475	(265)	162,862	155,950	101,263	64,115
Corporate and others	1	12	(2,667)	(1,993)	8,177	3,438	10,815	10,861
Intersegment elimination	(813)	(769)	-	-	-	-	-	-
Unallocated	-	-	-	-	9,720	9,938	7,281	5,975
Consolidated	113,012	82,636	104,751	9,325	2,381,206	863,874	1,924,062	517,911

Over 90% of the Group's revenue and contribution to profit/(loss) from operating activities were derived from operations in Hong Kong.

5. Finance Costs

Finance costs represent interest on a mortgage loan and finance lease secured by the Group's investment property and property, plant and equipment.

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

7. Interim Dividend

	Six months ended 30 June	
	2007	2006
	Unaudited HK\$'000	Unaudited HK\$'000
Interim dividend – HK0.4 cents (2006: nil) per ordinary share	20,044	–

8. Earnings per share

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the company of HK\$102,254,000 (2006: HK\$7,295,000) and the weighted average number of 5,005,613,162 (2006: 4,997,876,967) ordinary shares in issue during the year.

Diluted earnings per share has not been presented as the outstanding share options had no dilutive effect on the basic earnings per share for the year.

9. Available-for-sale financial assets

Available-for-sale financial assets represented listed equity securities in Hong Kong at market value.

10. Loans receivable

The maturity profile of loans receivable at the balance sheet date is analysed into the remaining periods to their contractual maturity dates as follows:

	Six months ended 30 June	
	2007	2006
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Repayable:		
On demand	1,186,918	142,134
Within 3 months	8,965	8,810
3 months to 1 year	16,986	15,696
1 year to 5 years	7,657	7,263
	1,220,526	173,903
Portion classified as current assets	(1,212,869)	(166,640)
Portion classified as non-current assets	7,657	7,263

Included in loans receivable of which HK\$828,337,000 are loan receivable on Initial Public Offer financing activities.

11. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented listed equity securities in Hong Kong at market value.

12. Trade receivables and payables

All of the Group's trade receivables and payables are aged within 90 days.

13. Interest-bearing bank and other borrowings:

All of the Group's trade receivables and payables are aged within 90 days.

Included in interest-bearing bank and other borrowings of which HK\$828,710,000 are interest-bearing bank and other borrowings on Initial Public Offer financing activities.

BUSINESS REVIEW

The Group achieved significant progress for the first six months ended 30 June 2007 with the profit attributable to shareholders increasing to HK\$102.3 million from HK\$7.3 million for the same period last year and Group's turnover increased by 42% to HK\$111.2 million from HK\$78.5 million as compared to the same period last year.

The improved operating results for the six months ended 30 June 2007 were attributable to the improved operating performance of the securities broking business, trading and investment and margin financing and money lending business.

Securities broking, trading and investment

Our commission income from securities and commodities broking increased by 43% to HK\$66.2 million for the first half of 2007 as compared with the same period of last year. The result of securities broking for the six months ended 30 June 2007 was a profit of HK\$18.4 million which increased by 89% as compared with a profit of HK\$9.8 million for the same period last year.

The result of securities trading and investment for the six months ended 30 June 2007 was a gain of HK\$65.9 million as compared with a loss of HK\$2.3 million for the same period last year. The Group had financial assets at fair value through profit or loss of HK\$126.2 million in value as at the end of the period.

Margin financing and money lending

The overall income from the margin financing activities and money lending business increased by 16% to HK\$29.4 million for the six months ended 30 June 2007. The result for this segment was a profit of HK\$21.9 million for the first half of 2007 increased by 358% as compared with a profit of HK\$4.8 million for the same period last year.

Corporate advisory and underwriting

Revenue from this segment decreased by 25% to HK\$4.3 million as compared with the same period of last year due to some changes in the team.

Property investment and others

Rental income from the investment property at Lippo Centre increased to HK\$3.5 million as compared with the same period of last year.

PROSPECTS

For the second half of 2007, the prospects of the Group will continue to be bright. We will also strive to explore our business opportunities in the PRC market .

INTERIM DIVIDEND

The Board declared an interim dividend of 0.4 HK cent (2006: Nil) per share, totalling approximately HK\$20,043,564 (2006: Nil) for the six months ended 30 June 2007 to the shareholders whose names appear on the register of members of the Company on 20 September 2007. The interim dividend will be paid on or about 25 September 2007.

CLOSURE OF REGISTER FOR ENTITLEMENT TO INTERIM DIVIDEND

The register of members of the Company will be closed from 19 September 2007 to 20 September 2007, both days inclusive, during which period no share transfers will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates of the Company, must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of Room 1803 Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 18 September 2007.

PROPOSED BONUS ISSUE OF WARRANTS

The Board proposes an issue of bonus warrants at an initial subscription price of HK\$0.168 per share to the shareholders of the Company on the basis of one bonus warrant for every five existing shares held by the shareholders of the Company. Please refer to the announcement of the Company dated 4 September 2007 in respect of the terms of the issue of the bonus warrants.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with the Code on Corporate Governance Practices (the "CG Code") of the Listing Rules throughout the six months ended 30 June 2007 with exception to code provision A.4.1 that non-executive directors of the Company were not appointed for a specific term and to code provision A.4.2 that the Articles of Association of the Company did not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years; and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment.

In order to comply with the code provision A.4.2 of the CG Code, a special resolution was passed at the annual general meeting of the Company on 22 May 2007 to amend the Articles of Association of the Company, inter alia, to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all newly appointed directors should be subject to re-election by shareholders at the first general meeting of the Company after their appointment.

As all non-executive directors of the Company are subject to the retirement and rotation requirements in accordance with the Company's Articles of Association, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than code provision A.4.1 of the CG Code of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The principal duties of the audit committee include the review of the Group's audit plan and process with the auditors, the independence of auditors, the Group's financial statements and system of internal control. The audit committee comprises three independent non-executive directors, namely Mrs. Tse Wong Siu Yin, Elizabeth (chairman of the audit committee), Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung, Eric.

The Group's unaudited results for the six months ended 30 June 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the Board
Ng Hung Sang
Chairman

Hong Kong, 4 September 2007

As at the date of this announcement, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Chun Sang and Mr. Ng Yuk Yeung, Paul 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.