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# **SOUTH CHINA FINANCIAL HOLDINGS LIMITED**

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 619)

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009**

### **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 2009 are as follows:

### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>Six months ended 30 June</b>	
		<b>2009</b>	<b>2008</b>
	<i>Notes</i>	<b>Unaudited HK\$'000</b>	<b>Unaudited HK\$'000</b>
<b>Revenue</b>	2	<b>60,922</b>	48,209
Other income		<b>156</b>	5,674
Reversal of impairment / (impairment) of loans receivable		<b>1,611</b>	(4,505)
Fair value gains / (losses) on financial assets at fair value through profit or loss		<b>30,950</b>	(61,980)
Fair value gain on an investment property		<b>18,800</b>	27,000
Other operating expenses		<b>(53,765)</b>	(55,623)
<b>Profit / (loss) from operating activities</b>		<b>58,674</b>	(41,225)
Finance costs	5	<b>(1,587)</b>	(1,620)
<b>Profit / (loss) before tax</b>	3	<b>57,087</b>	(42,845)
Tax	6	<b>(3,134)</b>	(7,293)
<b>Profit / (loss) for the period</b>		<b>53,953</b>	(50,138)
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>53,953</b>	(50,138)
Attributable to:			
Equity holders of the Company		<b>53,977</b>	(50,139)
Minority interests		<b>(24)</b>	1
		<b>53,953</b>	(50,138)
Earnings / (loss) per share	8		
Basic		<b>HK1.07 cent</b>	HK(1.00) cent
Diluted		<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2009 Unaudited HK\$'000	As at 31 December 2008 Audited HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,473	4,063
Investment property		180,500	161,700
Intangible assets		836	836
Other assets		5,433	5,681
Loans receivable	9	177	2,130
Available-for-sale investments		1,570	1,570
Deferred tax assets		5	10
		-----	-----
Total non-current assets		191,994	175,990
		-----	-----
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	10	155,272	115,764
Loans receivable	9	256,394	111,421
Trade receivables	11	122,754	28,187
Other receivables, prepayments and deposits		12,828	9,544
Tax recoverable		75	74
Pledged time deposits		5,750	5,750
Cash held on behalf of clients		359,320	341,716
Cash and cash equivalents		142,558	101,642
		-----	-----
Total current assets		1,054,951	714,098
		-----	-----
<b>CURRENT LIABILITIES</b>			
Amount due to related company		-	437
Client deposits		356,266	320,929
Trade payables	11	138,194	38,111
Tax payable		71	38
Other payables and accruals		11,856	6,261
Interest-bearing bank and other borrowings		269,771	103,523
		-----	-----
Total current liabilities		776,158	469,299
		-----	-----
<b>NET CURRENT ASSETS</b>		278,793	244,799
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		470,787	420,789
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		81,215	87,310
Deferred tax liabilities		8,453	5,410
		-----	-----
Total non-current liabilities		89,668	92,720
		-----	-----
Net assets		381,119	328,069
		=====	=====
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		125,721	125,721
Reserves		254,526	199,440
Proposed dividend		-	2,012
		-----	-----
		380,247	327,173
<b>Minority interests</b>		872	896
		-----	-----
Total equity		381,119	328,069
		=====	=====

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

### 1. Basis of preparation

The unaudited consolidated financial statement for the six months ended 30 June 2009 has not been audited by the Company's auditors but has been reviewed by the Company's audit committee.

These interim financial statements should be read in conjunction with the 2008 annual report.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 2008. The Group has adopted various new and amended HKFRSs, which are effective on or after 1 January 2009, as disclosed in the 2008 annual report. The adoption of such HKFRSs has no significant impact to the Group's result and financial position and there have been no significant changes to the accounting policies applied in these financial statements.

### 2. Revenue

	Six months ended 30 June	
	2009	2008
	Unaudited HK\$'000	Unaudited HK\$'000
Commission and brokerage income	36,141	44,820
Profit / (loss) on trading of securities, bullion and futures contracts, net	11,366	(20,439)
Dividend income from listed investments	1,530	2,580
Interest income from loans receivable	7,790	15,023
Interest income from bank and financial institutions	153	2,919
Rendering of services	2,682	2,521
Gross rental income	1,260	785
	-----	-----
	60,922	48,209
	=====	=====

### 3. Profit / (loss) before tax

	Six months ended 30 June	
	2009	2008
	Unaudited HK\$'000	Unaudited HK\$'000
The Group's profit / (loss) is arrived at after charging:		
Cost of services provided	13,654	17,101
Depreciation	1,015	1,642
Interest expenses for margin financing and money lending operations	685	2,365
	=====	=====

#### 4. Revenue and segmental information

An analysis of the Group's revenue and contribution to profit/(loss) from operating activities by business segments for the six months ended 30 June 2009 and 2008 are as follows:

	2009	2008	2009	2008
	Revenue	Revenue	Profit/ (loss) from operating activities	Profit/ (loss) from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Securities broking	37,631	45,814	2,443	7,823
Securities trading and investment	12,896	(17,859)	39,700	(81,813)
Margin financing and money lending	9,909	18,481	4,683	6,797
Corporate advisory and underwriting	1,097	1,150	(3,417)	(2,849)
Property investment	1,260	794	19,065	28,117
Corporate and others	-	-	(3,800)	700
Intersegment elimination	(1,871)	(171)	-	-
	-----	-----	-----	-----
Consolidated	60,922	48,209	58,674	(41,225)
	=====	=====	=====	=====

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 16.5% (2008: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

#### 8. Earnings / (loss) per share

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$53,977,000 (2008: loss of HK\$50,139,000) and the weighted average number of 5,028,834,500 (2008: 5,028,696,238) ordinary shares in issue during the period.

Diluted earnings/(loss) per share has not been presented as the exercise of outstanding share options had no dilutive effect on the basic earnings/(loss) per share for the period.

## 9. 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:

	30 June 2009 Unaudited HK\$'000	31 December 2008 Audited HK\$'000
Repayable:		
On demand	251,290	101,265
Within 3 months	2,520	4,965
3 months to 1 year	2,584	5,191
1 year to 5 years	177	2,130
	-----	-----
	256,571	113,551
Portion classified as current assets	(256,394)	(111,421)
	-----	-----
Portion classified as non-current assets	177	2,130
	=====	=====

## 10. 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.

## 11. Trade receivables and payables

The Group allows a credit period up to the respective settlement dates of securities, bullion and commodities transactions or a credit period mutually agreed between the contracting parties.

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group recorded a profit attributable to shareholders of HK\$54 million compared with loss of HK\$50.1 million for the same period in 2008. Revenue increased by 26.3% to HK\$60.9 million from HK\$48.2 million as compared to the same period last year.

#### ***Securities broking, trading and investment***

In the first half of 2009, the Hang Seng Index rebounded significantly from 14,448 at the beginning of January to 18,379 on 30 June. Despite the considerable increase in the index level, the daily stock turnover declined substantially from HK\$87.3 billion for the first half of 2008 to HK\$58.3 billion for the first half of 2009. This caused our securities broking revenue to drop by 17.9% to HK\$37.6 million and operating profit decrease to HK\$2.4 million when compared to the same period last year.

The result of securities trading and investment was a profit of HK\$39.7 million for the six months ended 30 June 2009 which included HK\$31 million of unrealized holding gain as compared with an unrealized loss of HK\$62 million over the same period last year. The Group has financial assets at fair value through profit and loss of HK\$155.3 million at the end of the period.

#### ***Margin financing and money lending***

Our loan and advances portfolio for margin financing and personal loan increased by 126% during the first six months of 2009 to HK\$256.6 million. However, with a significant downward trend in interest rate, our margin financing and money lending business recorded a 46.4% decline in revenue to HK\$9.9 million, while contribution from this segment was reduced from HK\$6.8 million to HK\$4.7 million when compared to the same period last year.

#### ***Corporate advisory and underwriting***

Against a backdrop of sluggish capital market and low volume of corporate finance deals, our corporate advisory and underwriting business remained relatively stable in the first half of 2009. Revenue from corporate advisory and underwriting business decreased by 4.6% to HK\$1.1 million and operating loss increased by 19.9% to HK\$3.4 million.

#### ***Property investment and others***

For the period under review, rental income from our investment property at Lippo Centre increased by 58.7% to HK\$1.3 million. A gain of HK\$15.7 million after deferred tax provision was reported on the revaluation of the property at the end of the period.

### **Liquidity and Financial Resources**

The Group has obtained bank credit facilities that are all renewable on a yearly basis. The facilities for the share margin finance operations are secured by the securities of our margin clients and the Group. The facilities for the money lending operations are clean loans. All the outstanding credit facilities are guaranteed by the Company.

As at 30 June 2009, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$81.2 million (31 December 2008: HK\$87.3 million), which, when related to the Group's equity of HK\$381.1 million (31 December 2008: HK\$328 million), represent a gearing ratio of approximately 21.3% (31 December 2008: 26.7%).

The Group has cash balance of HK\$142.6 million at the end of the current period, an increase of over 40% from the end of last year. The Group has a very strong working capital base to meet its operational needs.

## **Prospects**

The first half of 2009 saw the rebound of most of the stock markets around the world, with the Shanghai Composite Index gaining 62% and the Hong Kong Hang Seng Index 28%. Property markets also rebounded with some Hong Kong properties reaching new highs since the financial tsunami in late 2008.

The China economic engine continues to grow at around 8% and will continue to help Hong Kong to pull itself out of its recession in the second half of 2009.

Our company continues to believe the Hong Kong stock market will maintain its upward trend after some consolidation. We are still in the process of expanding our investment product base with the addition of bullion sales and trading, asset management, and global commodities. Foreign exchange will be added by early next year.

With the stimulus package in China continuing to work its way through the economy, we are also looking to expand our business involvement in China. We will be opening a Shanghai office during the fourth quarter of this year, and may also look at other cities for further expansion.

The outlook remains bright for our current and future businesses for the next few years and we believe we are in a very good position to take advantage of the upcoming worldwide economic recovery.

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2009.

## **AUDIT COMMITTEE**

The Company had established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Mr. Tung Woon Cheung, Eric (Chairman of the audit committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin, Elizabeth.

The Group's unaudited results for the six months ended 30 June 2009 have been reviewed by the audit committee.

By Order of the Board  
**South China Financial Holdings Limited**  
**Ng Hung Sang**  
Chairman

Hong Kong, 22 September 2009

*As at the date of this report, the Board of the Company comprises (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Cheung Wai Kwok, Gary 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.*