

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

#### GROUP RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2009 together with comparative figures for the last financial year as follows:

#### CONSOLIDATED INCOME STATEMENT

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Revenue</b>	2&4	<b>146,808</b>	93,679
Other income		<b>355</b>	639
Fair value gain/(loss) on investment properties		<b>20,500</b>	(46,215)
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>71,069</b>	(114,619)
Reversal of impairment / (impairment) of loans and trade receivables, net		<b>7,734</b>	(8,467)
Other operating expenses		<b>(126,410)</b>	(112,963)
<b>Profit/(loss) from operating activities</b>	4	<b>120,056</b>	(187,946)
Finance costs	5	<b>(3,214)</b>	(4,087)
<b>Profit/(loss) before tax</b>	3	<b>116,842</b>	(192,033)
Income tax expense	6	<b>(2,919)</b>	5,569
<b>Profit/(loss) for the year</b>		<b>113,923</b>	(186,464)
Attributable to:			
Owners of the Company		<b>113,896</b>	(186,451)
Minority interests		<b>27</b>	(13)
		<b>113,923</b>	(186,464)
Earnings/(loss) per share attributable to owners of the Company	7		
Basic		<b>2.26 HK cents</b>	(3.71) HK cents
Diluted		<b>N/A</b>	N/A

Details of the proposed dividend for the year are disclosed in note 8 to the financial statements.

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		<b>As at 31 December</b>	
	<i>Notes</i>	<b>2009</b>	<b>2008</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>146,032</b>	4,063
Investment properties	9	<b>40,300</b>	161,700
Intangible assets		<b>836</b>	836
Other assets		<b>6,169</b>	5,681
Loans receivable		<b>255</b>	2,130
Available-for-sale investments	10	<b>50,470</b>	1,570
Deferred tax assets		<b>4</b>	10
Total non-current assets		<b>244,066</b>	175,990
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		<b>214,756</b>	115,764
Loans receivable		<b>228,775</b>	111,421
Trade receivables	11	<b>36,654</b>	28,187
Other receivables, prepayments and deposits		<b>13,758</b>	9,544
Tax recoverable		<b>74</b>	74
Pledged time deposits		<b>5,750</b>	5,750
Cash held on behalf of clients		<b>547,690</b>	341,716
Cash and cash equivalents		<b>92,911</b>	101,642
Total current assets		<b>1,140,368</b>	714,098
<b>CURRENT LIABILITIES</b>			
Amount due to a related company		-	437
Client deposits		<b>541,653</b>	320,929
Trade payables	12	<b>45,105</b>	38,111
Tax payable		<b>8</b>	38
Other payables and accruals		<b>8,726</b>	6,261
Interest-bearing bank and other borrowings		<b>224,600</b>	103,523
Total current liabilities		<b>820,092</b>	469,299
<b>NET CURRENT ASSETS</b>		<b>320,276</b>	244,799
<b>TOTAL ASSETS LESS</b>			
<b>CURRENT LIABILITIES</b>		<b>564,342</b>	420,789

	<i>Notes</i>	<b>As at 31 December</b>	
		<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>77,144</b>	87,310
Deferred tax liabilities		<b>8,201</b>	5,410
Total non-current liabilities		<b>85,345</b>	92,720
Net assets		<b>478,997</b>	328,069
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>125,721</b>	125,721
Reserves		<b>322,180</b>	199,440
Proposed final dividends		<b>30,173</b>	2,012
		<b>478,074</b>	327,173
Minority interests		<b>923</b>	896
Total equity		<b>478,997</b>	328,069

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Principal accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited 2008 annual financial statements except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2009 as disclosed in the audited 2008 annual financial statements. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group's results of operations and financial position.

### 2. Revenue

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Commission and brokerage income	<b>78,295</b>	73,762
Profit/(loss) on trading of securities, bullion and futures contracts	<b>38,649</b>	(21,427)
Interest income from loans receivable	<b>16,263</b>	19,402
Interest income on impaired loans and trade receivables	<b>2,700</b>	5,293
Interest income from banks and financial institutions	<b>303</b>	5,726
Rendering of services	<b>3,472</b>	1,924
Gross rental income	<b>2,520</b>	3,463
Handling fee income	<b>2,861</b>	2,817
Dividend income from listed investments	<b>1,745</b>	2,719
	<b>146,808</b>	93,679

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

	2009 HK\$'000	2008 HK\$'000
<b>The Group's profit/(loss) is arrived at after charging:</b>		
Cost of services provided	30,458	28,391
Depreciation	3,544	3,309
Interest expenses for margin financing and money lending operations	1,914	3,424

### 4. Revenue and segmental information

An analysis of the Group's revenue and contribution to operating profit/(loss) by business segment for the years ended 31 December 2009 and 2008 is as follows:

	2009 Revenue HK\$'000	2008 Revenue HK\$'000	2009 Contribution to operating profit/ (loss) HK\$'000	2008 Contribution to operating profit/ (loss) HK\$'000
Securities and futures broking	81,054	76,176	1,062	2,290
Margin financing and money lending	19,556	30,615	17,558	9,419
Securities trading and investment	40,394	(18,708)	101,752	(137,201)
Corporate advisory and underwriting	3,284	2,100	(7,627)	(9,066)
Property investment	2,520	3,496	21,709	(45,146)
Corporate and others	-	-	(14,398)	(8,242)
	<b>146,808</b>	<b>93,679</b>	<b>120,056</b>	<b>(187,946)</b>

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

### 5. Finance costs

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

### 6. Income tax expense

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 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, interpretations and practices in respect thereof.

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	2009 HK\$'000	2008 HK\$'000
<u>Earnings/(Loss)</u>		
Profit/(loss) attributable to owners of the Company	<b>113,896</b>	<b>(186,451)</b>
	<b>2009</b>	<b>2008</b>
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b>5,028,834,500</b>	5,028,759,139
Effect of dilution – weighted average number of ordinary shares:		
Share options	-	-
	<b>5,028,834,500</b>	<b>5,028,759,139</b>

The Company's share options have no dilution effect for the years ended 31 December 2009 and 31 December 2008 because the exercise price of the Company's share options was higher than average market price for shares for the years ended 31 December 2009 and 31 December 2008.

## 8. Dividends

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Proposed final – HK 0.60 cent (2008: HK0.04 cent) per ordinary share	<u>30,173</u>	<u>2,012</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at forthcoming annual general meeting.

## 9. Investment properties

On 1 July 2009, the Group transferred certain investment properties of HK\$141.9 million to property, plant and equipment at fair value. The properties were revalued on that day by BMI Appraisals Limited ("BMI"), independent professionally qualified valuers on an open market, existing use basis. The Group's investment properties on 31 December 2009 were revalued by BMI, at HK\$40.3 million on the same basis.

## 10. Available-for-sale investments

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Club debentures	1,570	1,570
Listed equity investment in Hong Kong	<u>48,900</u>	<u>-</u>
	<u>50,470</u>	<u>1,570</u>

## 11. Trade receivables

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. The following is the ageing analysis of net trade receivable at the balance sheet date:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current to 90 days	<u>36,654</u>	<u>28,187</u>

## 12. Trade payables

All of the Group's trade payables are aged within 30 days.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Capitalizing on the economic recovery subsequent to the global financial crisis in late 2008, the Group posted a profit of HK\$113.9 million for the year ended 31 December 2009, a substantial improvement as compared with HK\$186.5 million loss for last year. Total equity of the Group returned to a stronger and healthier level of HK\$479.0 million as at 31 December 2009 as compared to HK\$328.1 million as at the end of previous year.

Hang Seng Index rebounded by 52% to 21,872 at the end of 2009. Reaping the benefit of this soaring equity market, the Group recorded a fair value gain on financial assets of HK\$71.1 million and a profit on investment trading of HK\$38.6 million. The property market also rebounded strongly bringing a fair value gain on the investment property of HK\$20.5 million to the Group.

While Hong Kong average daily stock turnover dropped by 14% from last year's HK\$72.1 billion to this year's HK\$62.3 billion, our securities broking business managed to return a HK\$81.1 million revenue for the year ended 31 December 2009 as compared with last year's revenue of HK\$76.2 million.

The Group is committed to build on the existing principal businesses of securities broking and margin financing and expand into other promising business areas to maximize shareholders' return.

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

Notwithstanding the 14% decrease in average daily turnover in the local stock market, our securities broking business outperformed the market and the recorded income increased by 6% to HK\$81.1 million. Reported operating profit was HK\$1.1 million for the year ended 31 December 2009.

The result of securities trading and investment for the year ended 31 December 2009 was a profit of HK\$101.8 million which included HK\$71.1 million of unrealized holding gain as compared with a loss of HK\$114.6 million in the previous year. Including the unrealized holding gain, the Group had financial assets at fair value through profit or loss of HK\$214.8 million as at the end of the year.

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

Reflecting the improvement in investment sentiments in the market during the year, our loan and advances portfolio for margin financing and personal loans surged to HK\$229.0 million as at 31 December 2009, representing an increase of 102% as compared with the end of last year. Interest income dropped by 36% from HK\$30.6 million to HK\$19.6 million due to the low interest rate environment prevailing during the year. Contribution from this segment increased from HK\$9.4 million to HK\$17.6 million due to some provision write-back.

### **Corporate advisory and underwriting**

Including IPOs, a record high of HK\$630.7 billion equity funding was raised in 2009. Enjoying the benefit of this booming market, revenue from our corporate advisory and underwriting business increased by 56% to HK\$3.3 million and operating loss reduced to HK\$7.6 million for the year ended 31 December 2009.

### **Property investment and others**

Gross rental income from the investment property at Lippo Centre was HK\$2.5 million for the year under review, a decline of 28% when compared to the previous year. A revaluation gain of HK\$17.1 million after deferred tax provision was reported. During the year, a substantial part of our investment property was transferred to owner-occupied property.

## **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 margin clients and the Group. The facilities for the money lending operations are clean loans. All the credit facilities are guaranteed by the Company.

As at 31 December 2009, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$77.1 million (2008: HK\$87.3 million), which, when related to the Group's equity of HK\$479.0 million (2008: HK\$328.1 million), represent a gearing ratio of approximately 16.1% (2008: 26.7%).

The Group had a cash balance of HK\$92.9 million at the current year-end, a decrease of 9% from last year-end. The Group has sufficient working capital to meet its operational needs.

## **PROSPECTS**

The State Council of China announced a plan to position Shanghai as a world financial hub by 2020. Co-operation between Hong Kong and China especially Shanghai would undoubtedly bring business opportunities to the market participants in Hong Kong. Acting as the window to the world for China and capitalizing on its strong and stable financial and legal infrastructure, Hong Kong is in a good position to reap the benefits.

China economies continue to grow subsequent to the four trillion Renminbi stimulus package. With the global economic outlook still fragile, it is unlikely for China to withdraw extensively the stimulus spending in the short term. However, to monitor the soaring property market and balance the economic growth with credit risk, it is China's strategy to slow the loan growth from the previous year's 30% to 17% for the year of 2010. Coupled with the effect of tightening the credit by increasing the bank reserve requirement, more property developers from China are expected to tap the Hong Kong equity market in the future.

Against the backdrop of recovering economies and improving investment sentiments, the Group believes it is an opportune moment to expand into new business areas. Our developments in bullion sales and trading, asset management, global commodities and foreign exchange are progressing nicely. The Group is committed to build a more balanced revenue base to capture the market opportunities and at the same time maintain the strong ability to weather any economic turbulence in the future. The Group is looking forward to a bright and promising year ahead.

## **DIVIDEND**

The Board recommends the payment of a final dividend of 0.60 HK cent (2008: 0.04 HK cent) per share, which amount to approximately HK\$30,173,000 (2008: HK\$2,012,000) in respect of the year ended 31 December 2009 to the shareholders whose names appear on the register of members of the Company on 18 May 2010. No interim dividend was paid during the year ended 31 December 2009.

Subject to the approval by the shareholders of the final dividend at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 18 June 2010.

## **CLOSURE OF REGISTER FOR ENTITLEMENT TO FINAL DIVIDEND**

The register of members of the Company will be closed from 13 May 2010 to 18 May 2010, both days inclusive, during which period no share transfers will be registered. To qualify for the final 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 Rooms 18<sup>th</sup> Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 pm on 12 May 2010.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices containing in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 December 2009.

## **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 year ended 31 December 2009.

## **AUDIT COMMITTEE**

The Company has 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), Mrs. Tse Wong Siu Yin, Elizabeth and Hon. Raymond Arthur William Sears, Q.C.

The Group’s annual results for the year ended 31 December 2009 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.

By order of the board  
**South China Financial Holdings Limited**  
**Ng Hung Sang**  
*Chairman*

Hong Kong, 30 March 2010

*As at the date of this Announcement, the Directors of the Company are (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.*