

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 2010

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 2010 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

		2010	2009
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	2&4	192,343	146,808
Other income		330	355
Fair value gain on investment properties		6,900	20,500
Fair value gain on financial assets at fair value through profit or loss		17,964	71,069
Gain on disposal of available-for-sale financial assets		3,862	-
Reversal of impairment / (impairment) of loans and trade receivables, net		(1,951)	7,734
Other operating expenses		(127,392)	(126,410)
Profit from operating activities	4	92,056	120,056
Finance costs	5	(3,392)	(3,214)
Profit before tax	3	88,664	116,842
Income tax expense	6	(684)	(2,919)
Profit for the year		87,980	113,923
Attributable to:			
Owners of the Company		87,977	113,896
Non-controlling interests		3	27
		87,980	113,923
Earnings per share attributable to owners of the Company	7		
Basic and diluted		1.75 HK cents	2.26 HK cents

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		190,888	146,032
Investment properties	9	-	40,300
Intangible assets		836	836
Other assets		6,962	6,169
Loans receivable		145	255
Available-for-sale investments	10	38,167	50,470
Deferred tax assets		5	4
Total non-current assets		237,003	244,066
CURRENT ASSETS			
Financial assets at fair value through profit or loss		279,825	214,756
Loans receivable		216,492	228,775
Trade receivables	11	105,769	36,654
Other receivables, prepayments and deposits		10,169	13,758
Tax recoverable		-	74
Pledged time deposits		5,750	5,750
Cash held on behalf of clients		369,243	547,690
Cash and cash equivalents		114,140	92,911
Total current assets		1,101,388	1,140,368
CURRENT LIABILITIES			
Client deposits		363,920	541,653
Trade payables	12	94,779	45,105
Tax payable		28	8
Other payables and accruals		9,058	8,726
Interest-bearing bank and other borrowings		249,869	224,600
Total current liabilities		717,654	820,092
NET CURRENT ASSETS		383,734	320,276
TOTAL ASSETS LESS CURRENT LIABILITIES		620,737	564,342

	As at 31 December	
<i>Notes</i>	2010	2009
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	113,726	77,144
Deferred tax liabilities	8,850	8,201
Total non-current liabilities	122,576	85,345
Net assets	498,161	478,997
EQUITY		
Equity attributable to owners of the Company		
Issued capital	125,721	125,721
Reserves	355,777	322,180
Proposed final dividends	16,092	30,173
	497,590	478,074
Non-controlling interests	571	923
Total equity	498,161	478,997

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 2009 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 2010 as disclosed in the audited 2009 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

	2010	2009
	HK\$'000	HK\$'000
Commission and brokerage income	68,779	78,295
Profit on trading of securities, bullion, forex and futures contracts	92,338	38,649
Interest income from loans receivable	21,869	16,263
Interest income on impaired loans and trade receivables	155	2,700
Interest income from banks and financial institutions	265	303
Rendering of services	2,447	3,472
Gross rental income	1,680	2,520
Handling fee income	2,778	2,861
Dividend income from listed investments	2,032	1,745
	192,343	146,808

3. Profit before tax

	2010 HK\$'000	2009 HK\$'000
The Group's profit is arrived at after charging:		
Cost of services provided	29,297	30,458
Depreciation	5,896	3,544
Interest expenses for margin financing and money lending operations	3,313	1,914
Loss on disposal of items of property, plant and equipment	7	22

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 2010 and 2009 is as follows:

	2010 Revenue HK\$'000	2009 Revenue HK\$'000	2010 Contribution to operating profit/ (loss) HK\$'000	2009 Contribution to operating profit/ (loss) HK\$'000
Broking	70,670	80,853	913	7,418
Margin financing and money lending	21,913	19,556	14,181	18,099
Trading and investment	95,664	40,595	89,354	94,855
Corporate advisory and underwriting	2,416	3,284	(7,189)	(7,627)
Property investment	1,680	2,520	3,226	21,709
Corporate and others	-	-	(8,429)	(14,398)
	192,343	146,808	92,056	120,056

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 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% (2009: 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 per share

The calculations of basic and diluted earnings per share are based on:

	2010 HK\$'000	2009 HK\$'000
<u>Earnings</u>		
Profit attributable to owners of the Company	87,977	113,896
	2010	2009
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	5,028,834,500	5,028,834,500
Effect of dilution – weighted average number of ordinary shares:		
Share options	-	-
	5,028,834,500	5,028,834,500

The Company's share options have no dilution effect for the years ended 31 December 2010 and 31 December 2009 because the exercise price of the Company's share options was higher than average market price for shares for the years ended 31 December 2010 and 31 December 2009.

8. Dividends

	2010 HK\$'000	2009 HK\$'000
Interim – HK0.15 cent (2009: Nil) per ordinary share	7,543	-
Proposed final – HK0.32 cent (2009: HK0.60 cent) per ordinary share	16,092	30,173
	23,635	30,173

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 September 2010, the Group transferred certain investment properties of HK\$47.2 million to property, plant and equipment at fair value. The properties were revalued on that day by BMI Appraisals Limited, independent professionally qualified valuers on an open market, existing use basis.

10. Available-for-sale investments

	2010 HK\$'000	2009 HK\$'000
Club debentures	1,945	1,570
Listed equity investment in Hong Kong	36,222	48,900
	38,167	50,470

11. Trade receivables

The Group allows a credit period up to the respective settlement dates of securities, forex, 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:

	2010 HK\$'000	2009 HK\$'000
Current to 90 days	105,769	36,654

12. Trade payables

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hang Seng Index increased by 5% from 21,872 at the end of 2009 to 23,035 at the end of 2010. Enjoying the benefit of this equity market improvement, the Group recorded a profit of HK\$88.0 million in the year ended 31 December 2010.

Broking, trading and investment

Average daily market turnover increased from HK\$62.3 billion to HK\$69.1 billion. However, the benefit of this increased market turnover was partly eaten up by the competitors. Securities arms of some banks penetrated the market with massive marketing campaigns. Under this competitive operating environment, the Group returned a revenue of HK\$70.7 million from our broking business in the year as compared with HK\$80.9 million for last year. Reported operating profit was HK\$0.9 million for the year ended 31 December 2010.

The result of trading and investment for the year ended 31 December 2010 was a profit of HK\$89.4 million including an unrealized fair value gain of HK\$18.0 million.

Margin financing and money lending

Our loan and advances portfolio for margin financing and personal loan was HK\$216.6 million as at 31 December 2010 as compared with HK\$229.0 million as at the end of 2009. Due to the increased average loan amount throughout the year, interest income increased by 12% from HK\$19.6 million to HK\$21.9 million for the year ended 31 December 2010. Contribution from this segment was HK\$14.2 million including impairment provision of HK\$1.4 million.

Corporate advisory and underwriting

Revenue from our corporate advisory and underwriting business was HK\$2.4 million and operating loss was HK\$7.2 million for the year ended 31 December 2010.

Property investment and others

Gross rental income from the investment property at Lippo Centre was HK\$1.7 million for the year under review. A revaluation gain of HK\$6.9 million was reported. During the year, the investment property was re-classified as owner-occupied property.

LIQUIDITY AND FINANCIAL RESOURCES

The Group has obtained bank credit facilities that are 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 2010, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$113.7 million (2009: HK\$77.1 million), which, when related to the Group's equity of HK\$498.2 million (2009: HK\$479.0 million), represent a gearing ratio of approximately 22.8% (2009: 16.1%).

The Group had a cash balance of HK\$114.1 million at the current year-end, an increase of 23% from last year-end. The Group has sufficient working capital to meet its operational needs.

PROSPECTS

It is the first time that a full chapter for Hong Kong and Macau has been included in the five-year plan of China. The leading role of Hong Kong in the financial system of the Pearl River Delta was reiterated in the plan. Hong Kong is positioned to become an offshore hub for Renminbi business and an international centre for asset management. Shenzhen intends to use Qianhai, an area near the border, as an economic test laboratory and looks for ways to apply common law principles there. More closer co-operation between Hong Kong and China is expected.

The co-operation with China provides opportunities for market players in Hong Kong for both tapping the China market and doing the Renminbi business in Hong Kong. The introduction of Renminbi equity products into Hong Kong market, probably in the second half of 2011, should boost the market in terms of increased product varieties and enhanced attraction for the accumulation of sufficient investment capital. The Renminbi liquidity pool which the Hong Kong Stock Exchanges and Clearing plans to establish should create more market activity. The Group will seek to build the infrastructure to support the Renminbi related business including initial public offerings and ongoing brokerage of Renminbi products. We will also continue to strengthen our collaboration with business partners in China so as to build up a strong and reliable business network to gain revenue generation for the Group within the statutory and legal requirements.

Asset management is the area the Group will also focus on. We are in the process of pooling the required resources to set up the funds from which recurrent income streams will be generated. The Group is optimistic about this business potential especially under the booming environment of this industry encouraged by the Chinese government.

With a long history in the securities market, ample resources and powerful capabilities especially in the area of information technology support for our internet trading engine has now been well established by the Group. While the Group is committed to maintaining premier services to our traditional customers, it should also revitalize the hidden capabilities and increase our market penetration by attracting more internet trading customers. Further resources will be allocated to the marketing campaign which started in late 2010.

The final injection of capital into our Nanjing financial leasing business making the total injected capital to RMB100 million was completed in early 2011. Further tightening of credit especially in the area of real estate financings in China is viewed by the Group as a golden opportunity for it to excel in the financial leasing business. The Group would also miss no chance to explore the business potential in some high-return short term financing activities in this credit-squeeze period.

The political uncertainties associated with the crises in the Middle East and North Africa create volatility but at the same time opportunities exist in the Bullion and Forex market. More frequent trading activities are expected.

The Group is committed to efficiently and swiftly allocating its human and financial resources in response to the ever changing market conditions so as to achieve profits for the shareholders.

DIVIDEND

The Board recommends the payment of a final dividend of HK0.32 cent (2009: HK0.60 cent) per share, which amounts to approximately HK\$16,092,000 (2009: HK\$30,173,000) in respect of the year ended 31 December 2010 to the shareholders whose names appear on the register of members of the Company on 31 May 2011. Interim dividend of HK0.15 cent (2009: Nil) per share amounting to HK\$7,543,000 (2009: Nil) was paid during the year ended 31 December 2010.

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 17 June 2011.

CLOSURE OF REGISTER FOR ENTITLEMENT TO FINAL DIVIDEND

The register of members of the Company will be closed from 27 May 2011 to 31 May 2011, 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 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 pm on 26 May 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010 with exception to code provision E1.2 that the Chairman of the Board did not attend the annual general meeting of the Company.

According to code provision E1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 May 2010. There were Executive Directors of the Company attending the annual general meeting in the absence of the Chairman to answer questions on the Group's businesses at the meeting. The Directors believe that this was an exceptional incident and the Company will ensure future compliance with code provision E1.2.

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 2010.

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 2010 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, 22 March 2011

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. Ng Yuk Yeung, Paul, Mr. Cheung Wai Kwok, Gary and Mr. Ng Tze Wai 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.