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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 2015**

#### **UNAUDITED 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 (collectively, the “Group”) for the six months ended 30 June 2015 (the “Period”) are as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>Six months ended 30 June</b>	
		<b>2015</b>	<b>2014</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>107,216</b>	42,171
Fair value loss on investment property		-	(37,000)
Impairment of loans and trade receivables, net		(268)	(1,129)
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>74,870</b>	(24,810)
Other income		<b>1,536</b>	1,901
Other operating expenses		<b>(100,672)</b>	(68,578)
<b>Profit/(loss) from operating activities</b>		<b>82,682</b>	(87,445)
Finance costs	6	<b>(3,546)</b>	(3,795)
Share of loss of an associate		<b>(974)</b>	(2,299)
<b>Profit/(loss) before tax</b>	4	<b>78,162</b>	(93,539)
Income tax expenses	7	<b>(305)</b>	(112)
<b>Profit/(loss) for the Period</b>		<b>77,857</b>	(93,651)
Attributable to:			
Equity holders of the Company		<b>77,863</b>	(93,641)
Non-controlling interests		<b>(6)</b>	(10)
		<b>77,857</b>	(93,651)
<b>Earnings/(loss) per share attributable to equity holders of the Company</b>	15	<b>&lt;Restated&gt;</b>	
Basic and diluted	9	<b>HK1.27 cents</b>	(HK1.55 cents)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2015 (Unaudited) HK\$'000	As at 31 December 2014 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,591	3,619
Investment property	10	397,500	397,500
Intangible assets		836	836
Investments in associates		3,341	4,315
Available-for-sale investments		47,857	28,467
Other assets		19,198	13,031
Long term loans receivable	11	5,008	6,502
Long term deposits		849	850
Total non-current assets		477,180	455,120
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	12	276,894	148,524
Loans receivable	11	536,038	194,436
Trade receivables	13	258,466	191,586
Other receivables, prepayments and deposits		37,021	36,737
Pledged time deposits		1,998	1,997
Cash held on behalf of clients		709,063	628,708
Cash and bank balances		171,296	127,175
Total current assets		1,990,776	1,329,163
<b>CURRENT LIABILITIES</b>			
Client deposits		925,639	704,414
Trade payables	13	43,145	110,943
Other payables and accruals		44,474	19,708
Tax payables		157	21
Interest-bearing bank borrowings		487,114	324,664
Total current liabilities		1,500,529	1,159,750
<b>NET CURRENT ASSETS</b>		<b>490,247</b>	<b>169,413</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>967,427</b>	<b>624,533</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		154,215	160,185
Deposits received		1,303	1,467
Deferred tax liabilities		29,145	29,004
Total non-current liabilities		184,663	190,656
Net assets		782,764	433,877
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	14	599,737	348,334
Reserves		182,490	85,000
		782,227	433,334
<b>Non-controlling interests</b>		<b>537</b>	<b>543</b>
Total equity		782,764	433,877

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

### 1. Basis of preparation

The unaudited condensed consolidated interim results of the Group and the unaudited condensed consolidated interim financial statements (the “interim financial statements”) have been reviewed by the audit committee of the Company.

The interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (the “HKAS”) No. 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

These interim financial statements do not include all the information and disclosures required in annual financial statements, and should be read, where relevant, in conjunction with the 2014 annual financial statements of the Group.

### 2. Changes in Accounting Policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (the “HKFRSs”) that are first effective for the current accounting Period of the Group and the Company.

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current and prior periods have been prepared or presented.

### 3. Revenue

	<b>Six months ended 30 June</b>	
	<b>2015</b>	<b>2014</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Commission and brokerage income	<b>44,365</b>	26,567
Profit/(loss) on trading of securities, forex, bullion and futures contracts, net	<b>38,473</b>	(4,777)
Dividend income from listed investments	<b>584</b>	1,070
Interest income from bullion and forex	<b>208</b>	604
Interest income from loans receivable	<b>10,597</b>	8,693
Interest income from banks and financial institutions	<b>408</b>	360
Rendering of services	<b>7,600</b>	5,623
Gross rental income	<b>4,981</b>	4,031
	<b>107,216</b>	42,171

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

	Six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK\$ '000	HK\$ '000
The Group's profit/(loss) is arrived at after charging:		
Cost of services provided	18,354	14,307
Depreciation	1,179	1,873
Interest expenses for margin financing and money lending operations	2,622	2,181

#### 5. Revenue and segmental information

The group manages its business by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified 7 reportable segments as summarized below.

	Six months ended 30 June			
	2015	2014	2015	2014
			Profit/	Profit/
			(loss) from	(loss) from
	Revenue	Revenue	operating	operating
	HK\$ '000	HK\$ '000	activities	activities
			HK\$ '000	HK\$ '000
Broking	44,971	23,658	(2,142)	(12,659)
Trading and investment	39,485	(3,422)	84,710	(38,620)
Margin financing and money lending	11,216	9,876	3,686	2,696
Corporate advisory and underwriting	4,450	1,899	645	(1,537)
Wealth management	964	1,834	(4,255)	(1,413)
Property investment	4,980	4,031	4,393	(34,383)
Other business and corporate	1,150	4,295	(4,355)	(1,529)
Consolidated	107,216	42,171	82,682	(87,445)

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

#### 6. Finance costs

Finance costs mainly represent interest on a mortgage loan secured by the Group's investment property.

#### 7. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

## 8. Interim dividend

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

## 9. Earnings/(loss) per share

The calculation of basic and diluted earnings per share is based on the profit for the Period attributable to equity holders of the Company of approximately HK\$77,863,000 (2014: loss of HK\$93,641,000) and the weighted average number of 6,108,705,975 (2014 (restated): 6,032,494,770) ordinary shares in issue during the Period.

During the current Period, the Group raised approximately HK\$251.4 million by way of rights issue on the basis of one rights share for every two existing shares held by shareholders of the Company at the price of HK\$0.1, which represents a discount to the prevailing fair value at the date of rights issue of the existing shares.

The effect of the bonus element resulting from the rights issue has been included in the calculation of basic and diluted earnings per share and the prior period's basic and diluted loss per share are adjusted (in accordance with HKAS 33, Earnings Per Share) to provide a comparable basis for the rights issue in the current Period (note 15).

As at 9 June 2015, the Company granted a total of 60,000,000 share options to certain employees of subsidiaries of the Company under the Company's share option scheme adopted on 5 June 2012. The Company's share options had no dilution effect for the six months ended 30 June 2015 because the exercise price of the Company's share option was higher than the average market price of shares for the Period.

## 10. Investment property

	<b>30 June 2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2014 (Audited) HK\$'000
Carrying amount at 1 January	<b>397,500</b>	430,000
Additions	-	659
Net loss from a fair value adjustment	-	(33,159)
Carrying amount	<b>397,500</b>	<b>397,500</b>

On 30 June 2015, the Group's investment property was revalued by Roma Appraisal Limited at HK\$397,500,000 (31 December 2014: HK\$397,500,000) on the open market and existing use basis. The investment property is leased to third parties under operating leases.

The Group's investment property is situated in Hong Kong and is held under long term leases. The investment property was pledged to a bank to secure banking facilities granted to the Group.

Details of the Group's investment property are as follows:

<b>Location</b>	<b>Existing use</b>
26 <sup>th</sup> Floor, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

## 11. 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:

	<b>30 June 2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2014 <b>(Audited)</b> <b>HK\$'000</b>
Repayable:		
On demand	<b>513,540</b>	173,657
Within 3 months	<b>1,243</b>	1,390
3 months to 1 year	<b>21,255</b>	19,389
1 year to 5 years	<b>5,008</b>	6,502
	<hr/>	<hr/>
Portion classified as current assets	<b>541,046</b> <b>(536,038)</b>	200,938 (194,436)
	<hr/>	<hr/>
Portion classified as non-current assets	<b>5,008</b>	6,502
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## 12. 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.

## 13. Trade receivables and payables

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.

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

## 14. Issued Capital

	<b>30 June 2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31 December 2014 <b>(Audited)</b> <b>HK\$'000</b>
Shares		
Issued and fully paid:		
7,542,126,750 (note) (2014: 5,028,084,500) ordinary shares	<b>599,737</b>	348,334

Note

On 22 June 2015, the Company completed a rights issue to raise approximately HK\$251.4 million by issuance of 2,514,042,250 rights shares at a price of HK\$0.1 per share. After deducting the expenses in connection with the rights issue amounting to approximately HK\$2.9 million, the net proceeds from issuance of ordinary shares were approximately HK\$248.5 million.

## 15. Restatement of Prior Period

On 22 May 2015, the Board announced that the Company proposed the issue of 2,514,042,250 new ordinary shares by way of rights to qualifying shareholders at HK\$0.1 per share. The issue was made as 1 rights share for every 2 existing shares held. As required by HKAS 33, Earnings Per Share, the Company has adjusted the 2014 basic and diluted loss per share with the bonus element included within the rights issue.

	As reported at 30-Jun 2014 HK cents	Impact of restatement HK cents	Restated at 30-Jun 2014 HK cents
Basic and diluted loss per ordinary share	<u>(1.86)</u>	<u>0.31</u>	<u>(1.55)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Following the favourable market conditions in the first half of 2015 as well as our rights issue exercised in June 2015, the Group is in a much stronger position than six months ago to meet the opportunities and challenges arising domestically and overseas.

Riding on the strong momentum from the launching of the Shanghai-HK Stock Connect since the latter half of 2014, market turnover in the first six months of 2015 remained buoyant. The average daily turnover for the first six months of 2015 was approximately HK\$125 billion, an increase of 99% when compared with HK\$63 billion for the same period last year. Daily market turnover also reached another milestone, crossing the HK\$200 billion mark in several occasions. Fund raising exercises (including IPOs) were also active, with total funds raised for the first six months of 2015 reached HK\$709 billion, an increase of 225% when compared with HK\$218 billion for the same period last year.

The Group recorded a profit of HK\$77.9 million for the Period as compared with a loss of HK\$93.7 million for the same period of last year mainly due to increase in revenue from the brokerage business and the fair value gain and trading gain on financial assets. Besides, whereas a fair value loss on investment property was recorded for the corresponding period in 2014, there was no fair value change on investment property recorded in the Period. The aforesaid factors outweigh the increase in operating expenses in the Period.

#### ***Broking, trading and investment***

The significant increase in Hong Kong stocks market turnover in the second quarter of 2015 improved the revenue for broking business for the Period. Revenue for broking recorded for the first half of 2015 was HK\$45 million, representing 90% increase from HK\$23.7 million for the same period in 2014. Operating loss decreased to HK\$2.1 million for the Period from HK\$12.7 million for the same corresponding period in 2014.

Trading and investment recognized a profit of HK\$84.7 million for the Period as compared with a loss of HK\$38.6 million for the same period in 2014. Fair value gain on financial assets of HK\$74.9 million was recorded during the Period.

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

Revenue recorded for the Period was HK\$11.2 million comparing to HK\$9.9 million for the same corresponding period in 2014. Contribution from this segment increased from HK\$2.7 million for the six months ended 30 June 2014 to HK\$3.7 million for the Period. The loan portfolio size was increased by 169.3% with the balance of HK\$541 million as at 30 June 2015 as compared with HK\$200.9 million as at 31 December 2014.

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

Revenue from our corporate advisory and underwriting business increased from HK\$1.9 million for the six months ended 30 June 2014 to HK\$4.5 million for the Period. We had been successful in turning the operating loss of HK\$1.5 million for the six months ended 30 June 2014 into profit of HK\$0.6 million for the Period.

#### ***Wealth management***

Revenue recorded for the Period was HK\$1 million as compared with HK\$1.8 million for the same corresponding period in 2014. Operating loss was increased to HK\$4.3 million for the Period from HK\$1.4 million for the same period in 2014.



***Property investment***

No fair value revaluation gain or loss was recorded for the Period as compared with fair value revaluation loss of HK\$37 million for the same corresponding period in 2014. Gross rental income was substantially increased from HK\$4 million for the first six months of 2014 to HK\$5 million for the Period.

***Other business and corporate***

Revenue recorded for the Period was HK\$1.2 million as compared with HK\$4.3 million for the same corresponding period in 2014. Operating loss was increased to HK\$4.4 million for the Period from HK\$1.5 million for the same period in 2014.

**Liquidity and Financial Resources**

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from a bank. The banking facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The banking facilities for the money lending operations were clean loans. The outstanding credit facilities were guaranteed by the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Capital represents total equity. The gearing ratio at the end of the Period was approximately 37.5% (31 December 2014: 45.2%).

The Group had a cash balance of HK\$171.3 million at the end of the current Period, an increase of 34.7% from the end of 2014. The Group had sufficient working capital base to meet its operational needs.

**Prospects**

In PRC, the People's Bank of China also unveiled various easing measures to cope with the slowing economy and contain deflationary pressures. The China Securities Regulatory Commission also stepped in and introduced various measures during the Period for better regulating the industry practices. The Shenzhen-HK Stock Connect, which is expected to be launched in the second half of 2015, may also bring new dynamics to the market. Meanwhile, the timing of the interest rate hike by the Federal Reserve as well as the latest development in Eurozone on Greece's debt crisis may also affect the market.

Looking ahead, Hong Kong's unemployment rates that have been maintained at an average of approximately 3.3% since the second half of 2014 show that Hong Kong's employment market and local economy are relatively strong and healthy compared to the majority of other developed countries. As such, the Board expects it will lead to more business opportunities in the financial markets and there will be a corresponding increase in client demand for financial services. It is expected that there will be a surge in the number of customers and trading volume.

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

During the Period, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any such shares.

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the Period except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 9 June 2015 since he had other business engagements, which deviated from code provision E.1.2.

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

Hong Kong, 7 August 2015

*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 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.*