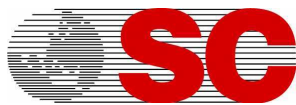


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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | 2015 | 2014 |
|---|--------------|----------------------|-------------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2&4 | 148,460 | 105,744 |
| Other income | | 3,390 | 1,890 |
| Fair value loss on investment properties | | - | (33,159) |
| Fair value gain/(loss) on financial assets at fair value through profit or loss | | (3,189) | 933 |
| Reversal of impairment/(impairment) of loans and trade receivables, net | | 1,045 | (428) |
| Other operating expenses | | (147,105) | (136,947) |
| Profit/(loss) from operating activities | | 2,601 | (61,967) |
| Finance costs | 5 | (7,551) | (7,545) |
| Impairment of investment in an associate | | (688) | - |
| Share of loss of an associate | | (3,627) | (2,819) |
| Loss before tax | 3 | (9,265) | (72,331) |
| Income tax expense | 6 | (5,613) | (573) |
| Loss for the year | | (14,878) | (72,904) |
| Attributable to: | | | |
| Equity holders of the Company | | (14,842) | (72,893) |
| Non-controlling interests | | (36) | (11) |
| | | (14,878) | (72,904) |
| Loss per share attributable to equity holders of the Company | 7 | | (restated) |
| Basic and diluted | | (HK0.22 cent) | (HK1.21 cents) |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss for the year | <u>(14,878)</u> | <u>(72,904)</u> |
| Other comprehensive income for the year, net of tax | | |
| To be reclassified to profit or loss in subsequent periods | <u>1,219</u> | <u>3,962</u> |
| Total comprehensive loss for the year | <u>(13,659)</u> | <u>(68,942)</u> |
| Attributable to: | | |
| Equity holders of the Company | (13,623) | (68,931) |
| Non-controlling interests | <u>(36)</u> | <u>(11)</u> |
| | <u>(13,659)</u> | <u>(68,942)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | |
|---|--------------|--------------------------|-----------------|
| | <i>Notes</i> | 2015 | 2014 |
| | | HK\$'000 | HK\$'000 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 3,442 | 3,619 |
| Investment properties | 8 | 397,500 | 397,500 |
| Intangible assets | | 836 | 836 |
| Investments in associates | 9 | - | 4,315 |
| Available-for-sale investments | 10 | 33,258 | 28,467 |
| Other assets | | 6,369 | 13,031 |
| Long term loans receivable | | - | 6,502 |
| Long term deposits | | 727 | 850 |
| Total non-current assets | | 442,132 | 455,120 |
| CURRENT ASSETS | | | |
| Financial assets at fair value through profit or loss | | 204,960 | 148,524 |
| Loans receivable | | 285,258 | 194,436 |
| Trade receivables | 11 | 120,947 | 191,586 |
| Other receivables, prepayments and deposits | | 31,763 | 36,737 |
| Pledged time deposits | | 39,156 | 1,997 |
| Cash held on behalf of clients | | 561,659 | 628,708 |
| Cash and bank balances | | 110,721 | 127,175 |
| Total current assets | | 1,354,464 | 1,329,163 |
| CURRENT LIABILITIES | | | |
| Client deposits | | 613,391 | 704,414 |
| Trade payables | 12 | 27,093 | 110,943 |
| Other payables and accruals | | 18,485 | 19,708 |
| Tax payable | | 4,326 | 21 |
| Interest-bearing bank borrowings | | 256,769 | 324,664 |
| Total current liabilities | | 920,064 | 1,159,750 |
| NET CURRENT ASSETS | | 434,400 | 169,413 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 876,532 | 624,533 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing bank borrowings | | 175,209 | 160,185 |
| Deposits received | | 582 | 1,467 |
| Deferred tax liabilities | | 29,741 | 29,004 |
| Total non-current liabilities | | 205,532 | 190,656 |
| Net assets | | 671,000 | 433,877 |

| | | As at 31 December | |
|---|--------------|--------------------------|-----------------------|
| | <i>Notes</i> | 2015 | 2014 |
| | | HK\$'000 | HK\$'000 |
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 13 | 597,685 | 348,334 |
| Other reserves | | 73,315 | 85,000 |
| | | <u>671,000</u> | <u>433,334</u> |
| Non-controlling interests | | - | 543 |
| Total equity | | <u>671,000</u> | <u>433,877</u> |

Notes:

1. Principal accounting policies and basis of preparation

These 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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has adopted the following revised standards for the first time for the current year’s financial statements.

Amendments to HKAS 19 Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

The unaudited financial information relating to the year ended 31 December 2015 and the financial information relating to the year ended 2014 included in this announcement of annual results for the year ended 31 December 2015 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 2014, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

1. Principal accounting policies and basis of preparation (continued)

The financial statements for the year ended 31 December 2015 have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on these financial statements for the year ended 31 December 2014. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. Revenue

Revenue represents commission and brokerage income from securities, forex, bullion and futures contracts and insurance broking; profit on the trading of securities, forex, bullion and futures contracts; interest income; handling fee income; corporate advisory fees; commission income from share underwriting and placing; dividend income and gross rental income.

An analysis of revenue is as follows:

| | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------------------|------------------|
| Commission and brokerage income | 67,272 | 55,688 |
| Profit on the trading of securities, forex, bullion and futures contracts, net | 30,786 | 5,878 |
| Interest income from loans and trade receivables | 23,512 | 17,551 |
| Interest income from forex and bullion | 857 | 1,229 |
| Interest income from banks and financial institutions | 1,645 | 2,203 |
| Rendering of services | 7,947 | 7,003 |
| Gross rental income | 10,431 | 8,390 |
| Handling fee income | 4,535 | 6,328 |
| Dividend income from listed investments | 1,475 | 1,474 |
| | 148,460 | 105,744 |

3. Loss before tax

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| The Group's loss before tax is arrived at after charging: | | |
| Cost of services provided | 33,177 | 32,241 |
| Depreciation | 2,283 | 3,093 |
| Interest expenses for margin financing and money lending operations | 3,790 | 3,933 |

4. Operating segment information

An analysis of the Group's revenue, contribution to operating profit/(loss), assets and liabilities by business segment for the years ended 31 December 2015 and 2014 is as follows:

Year ended 31 December 2015

| | Broking HK\$'000 | Trading and investment HK\$'000 | Margin financing and money lending HK\$'000 | Corporate advisory and underwriting HK\$'000 | Wealth management HK\$'000 | Property investment HK\$'000 | Other business HK\$'000 | Consolidated HK\$'000 |
|--|---------------------|--|---|---|----------------------------------|------------------------------------|-------------------------------|--------------------------|
| Segment revenue: | | | | | | | | |
| Revenue from external customers | 69,394 | 33,716 | 25,284 | 6,381 | 1,470 | 10,431 | 1,784 | 148,460 |
| Segment results: | (19,386) | 4,213 | 13,337 | (72) | (6,178) | 9,298 | 998 | 2,210 |
| <u>Reconciliation:</u> | | | | | | | | |
| Corporate and other unallocated income, net | | | | | | | | 391 |
| Impairment of investment in an associate | | | | | | | | (688) |
| Share of loss of an associate | | | | | | | | (3,627) |
| Finance costs | | | | | | | | (7,551) |
| Loss before tax | | | | | | | | (9,265) |
| Segment assets: | 777,217 | 243,023 | 329,819 | 5,891 | 2,119 | 398,212 | 2,393 | 1,758,674 |
| <u>Reconciliation:</u> | | | | | | | | |
| Corporate and other unallocated assets | | | | | | | | 37,922 |
| Total assets | | | | | | | | 1,796,596 |
| Segment liabilities: | (638,124) | (59,595) | (84,534) | (307) | (383) | (3,307) | (4,716) | (790,966) |
| <u>Reconciliation:</u> | | | | | | | | |
| Corporate and other unallocated liabilities | | | | | | | | (334,630) |
| Total liabilities | | | | | | | | (1,125,596) |
| Other segment information: | | | | | | | | |
| Fair value loss on financial assets at fair value through profit or loss | - | 3,189 | - | - | - | - | - | 3,189 |
| Impairment/ (reversal of impairment) of loans and trade receivables, net | 127 | - | (1,201) | - | 29 | - | - | (1,045) |
| Depreciation | 1,668 | 193 | 161 | 85 | 151 | 25 | - | 2,283 |
| Capital expenditure* | 1,593 | 188 | 174 | 42 | 146 | 21 | - | 2,164 |

* Capital expenditure represents additions to property, plant and equipment.

4. Operating segment information (continued)

Year ended 31 December 2014

| | Broking HK\$'000 | Trading and investment HK\$'000 | Margin financing and money lending HK\$'000 | Corporate advisory and underwriting HK\$'000 | Wealth management HK\$'000 | Property investment HK\$'000 | Other business HK\$'000 | Consolidated HK\$'000 |
|--|---------------------|---------------------------------------|---|---|----------------------------------|------------------------------------|-------------------------------|--------------------------|
| Segment revenue: | | | | | | | | |
| Revenue from external customers | 54,068 | 9,855 | 19,825 | 5,688 | 3,006 | 8,390 | 4,912 | 105,744 |
| Segment results: | (24,389) | (11,396) | 7,924 | (1,422) | (1,906) | (26,184) | 1,975 | (55,398) |
| <u>Reconciliation:</u> | | | | | | | | |
| Corporate and other unallocated expenses, net | | | | | | | | (6,569) |
| Share of losses of associates | | | | | | | | (2,819) |
| Finance costs | | | | | | | | (7,545) |
| Loss before tax | | | | | | | | (72,331) |
| Segment assets: | 913,497 | 199,702 | 252,955 | 5,316 | 1,174 | 398,900 | 2,276 | 1,773,820 |
| <u>Reconciliation:</u> | | | | | | | | |
| Corporate and other unallocated assets | | | | | | | | 10,463 |
| Total assets | | | | | | | | 1,784,283 |
| Segment liabilities: | (801,688) | (59,805) | (195,208) | (673) | (584) | (3,303) | (4,568) | (1,065,829) |
| <u>Reconciliation:</u> | | | | | | | | |
| Corporate and other unallocated liabilities | | | | | | | | (284,577) |
| Total liabilities | | | | | | | | (1,350,406) |
| Other segment information: | | | | | | | | |
| Fair value gain on financial assets at fair value through profit or loss | - | (933) | - | - | - | - | - | (933) |
| Impairment of loans and trade receivables, net | 98 | - | 330 | - | - | - | - | 428 |
| Depreciation | 2,065 | 513 | 261 | 139 | 86 | 29 | - | 3,093 |
| Capital expenditure* | 499 | 127 | 65 | 101 | 21 | 666 | - | 1,479 |

* Capital expenditure represents of additions to property, plant and equipment and investment properties.

4. Operating segment information (continued)

Geographical information

Non-current assets

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Hong Kong | 408,773 | 406,382 |
| Other jurisdictions | 101 | 20,271 |
| | <u>408,874</u> | <u>426,653</u> |

The non-current assets information above is based on the location of assets and excludes available-for-sale investments.

5. Finance costs

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Interest on: | | |
| Bank loans wholly repayable within five years | 2,953 | 2,532 |
| Bank loans wholly repayable over five years | 4,598 | 5,013 |
| | <u>7,551</u> | <u>7,545</u> |

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Current – Hong Kong | | |
| Charge for the year | 2,591 | - |
| Underprovision in prior years | 1,939 | - |
| Current – Elsewhere | 346 | 437 |
| Deferred | 737 | 136 |
| Total tax charge for the year | <u>5,613</u> | <u>573</u> |

7. Loss per share

The calculation of basic and diluted loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK\$14,842,000 (2014: HK\$72,893,000) and the weighted average number of 6,885,031,872 (2014: 6,033,103,044 (restated)) ordinary shares in issue during the year. The basic loss per share amount for the year ended 31 December 2014 has been adjusted to reflect the rights issue during the year ended 31 December 2015 (note 13(c)).

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 31 December 2014 in respect of a dilution as the impact of the share options outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

8. Investment properties

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Carrying amount as at 1 January | 397,500 | 430,000 |
| Additions | - | 659 |
| Net loss from a fair value adjustment | - | (33,159) |
| Carrying amount at 31 December | <u>397,500</u> | <u>397,500</u> |

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by Roma Appraisals Limited, independent professionally qualified valuers, at HK\$397,500,000.

On 31 December 2015, the Group's investment properties with a carrying value of HK\$397,500,000 (2014: HK\$397,500,000) were pledged to secure general banking facilities granted to the Group.

9. Investment in associates

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--------------------------|-------------------------|-------------------------|
| Share of net assets | 688 | 5,431 |
| Provision for impairment | <u>(688)</u> | <u>(1,116)</u> |
| | <u>-</u> | <u>4,315</u> |

Particulars of the associates are as follows:

| Name | Particulars of issued shares held | Place of incorporation/ registration and business | Percentage of ownership interest attributable to the Group | Principal activities |
|----------------------|---|--|---|---|
| 嘉田文化發展(天津) 有限公司 | Register capital | PRC/Mainland China | 45 | Media and entertainment |
| 上海華威創富股權 投資管理有限公司 | Register capital | PRC/Mainland China | 50 | Provision of fund management services |

10. Available-for-sale investments

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Listed equity investments in Hong Kong, at fair value | 30,870 | 26,040 |
| Club debentures, at fair value | <u>2,388</u> | <u>2,427</u> |
| | <u>33,258</u> | <u>28,467</u> |

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 date of statement of financial position:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Current to 90 days | <u>120,947</u> | <u>191,586</u> |

12. Trade payables

All of the Group's trade payables are with 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.

13. Share capital

Shares

| | 2015 HK\$'000 | 2014 HK\$'000 |
|---|------------------|------------------|
| Issued and fully paid: 7,542,126,750 (2014: 5,028,084,500) ordinary shares | 597,685 | 348,334 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital HK\$'000 | Share premium account HK\$'000 | Capital redemption reserve HK\$'000 | Total HK\$'000 |
|---|------------------------------|------------------------------|---|--|-------------------|
| At 1 January 2014 | 5,026,084,500 | 125,652 | 220,027 | 1,670 | 347,349 |
| Transition to no-par value regime (note (a)) | - | 221,697 | (220,027) | (1,670) | - |
| Issue of shares upon the exercise of share options (note (b)) | 2,000,000 | 985 | - | - | 985 |
| At 31 December 2014 and 1 January 2015 | 5,028,084,500 | 348,334 | - | - | 348,334 |
| Rights issue (note (c)) | 2,514,042,250 | 251,404 | - | - | 251,404 |
| | 7,542,126,750 | 599,738 | - | - | 599,738 |
| Share issue expenses | - | (2,053) | - | - | (2,053) |
| At 31 December 2015 | 7,542,126,750 | 597,685 | - | - | 597,685 |

Notes:

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium account and capital redemption reserve has become part of the Company's share capital.
- (b) During the prior year, the subscription rights attaching to 2,000,000 share options were exercised at the subscription price of HK\$0.128 per share, resulting in the issue of 2,000,000 shares for a total cash consideration of HK\$256,000. An amount of HK\$729,000 was transferred from the share option reserve to share capital upon the exercise of the share options during that year.
- (c) A rights issue of one rights share for every two existing shares held by members on the register of members on 8 June 2015 was made, at an issue price of HK\$0.1 per rights share, resulting in the issue of 2,514,042,250 shares for a total cash consideration, before rights share issue expenses, of HK\$251,404,225.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group recorded revenues and loss after tax, being the key performance indicators, of HK\$148.5 million and HK\$14.9 million for the year ended 31 December 2015 respectively, representing an increase of 40.4% and a decrease of 79.6% respectively, from the corresponding amounts reported in 2014.

2015 was a challenging year for the Group. Global markets experienced high volatility and the performance of global financial markets was mixed. Most stock indices hit record highs in the first half year, but then lost steam in the second, despite that there had been fluctuations due to concerns over the slowdown of the Chinese economy, anxiety over the Eurozone and an anemic recovery in the United States impacted the financial market. Amid the economy turmoil in China, the Government and financial regulators have implemented various measures in 2015 including restriction on selling shares by major shareholders, opening short positions in futures, tightened RMB outflow, rolling out of “One Belt, One Road” policy etc. China nonetheless only managed to maintain a lower-than-expected GDP growth of 6.9% in 2015.

The Hong Kong financial market experienced a very volatile year in 2015. At the beginning of the year, worries about timing of interest rate hikes in the United States and the economic slow-down in China limited the performance of the Hang Seng Index and suppressed trading volume despite the gradual increase in trading activities arising from the Shanghai-Hong Kong Stock Connect. However, since April, driven by the rally of the A-share market, the Hang Seng Index hit a seven-year high of over 28,000 and closed at 26,250 points on 30 June 2015. Daily market turnover and fund raising activities soared 99% and 225% respectively for the first half of 2015. However starting from June, the market experienced an abrupt change, with turnover shrinking to a daily average of approximately HK\$86 billion and hitting the year low of only approximately HK\$38 billion on 29 December 2015. The Hang Seng Index closed at 21,914 points on 31 December 2015, 7.2% lower than a year ago.

Hong Kong's IPO market is to become the biggest globally in 2015, due to continued strong interest of Chinese state-owned companies being keen on going global, and IPO candidates shifting to Hong Kong to bypass the mainland jam in processing applications. Setting a new record for Hong Kong, there were a total of 138 new listings in 2015. Among these, 104 companies were listed on the Main Board, including 14 companies switching from a GEM to a Main Board. A total of 34 companies opted for GEM listing, compared to only 19 being listed in 2014. This sets a record for the number of GEM IPO in Hong Kong in this decade and reflects that listing on the GEM Board has become more effective as a fund-raising platform for startup companies.

Broking, trading and investment

Revenue from the brokering segment increased from HK\$54.1 million for the year ended 31 December 2014 to HK\$69.4 million for the year ended 31 December 2015, representing an increase of 28.3%. Operating loss for the brokering business amounted to HK\$19.4 million for the year ended 31 December 2015 as compared with HK\$24.4 million for the same corresponding period in 2014.

Securities portfolio as of 31 December 2015 increased to HK\$205.0 million as compared with HK\$148.5 million as of 31 December 2014. The Group's shareholding interest in each of the securities represented not more than 5% of the issued share capital of the relevant listed companies.

The table below sets out a breakdown of financial assets at fair value through profit or loss as at 31 December 2015:

| Stock code | Name of security | Carrying value as at 31 December 2015 HK\$'000 | Percentage of shareholding interest | Fair value gain/(loss) during the year HK\$'000 |
|--------------|--|---|-------------------------------------|--|
| 670 | China Eastern Airlines Corporation Limited | 83,018 | 0.143 | 6,431 |
| 413 | South China Holdings Company Limited | 24,410 | 0.669 | 12,603 |
| 1618 | Metallurgical Corporation of China Limited | 12,477 | 0.028 | (4,997) |
| 1105 | Sing Tao News Corporation Limited | 12,264 | 1.312 | 110 |
| 1 | CK Hutchison Holdings Limited | 10,722 | 0.003 | (1,799) |
| Others | | 62,069 | | (15,537) |
| Total | | 204,960 | | (3,189) |

In light of the favorable market conditions in the second quarter of 2015, the Group recorded a gain of HK\$4.2 million for the year ended 31 December 2015 under the trading and investment segment as compared with the loss of HK\$11.4 million recorded for the corresponding period in 2014. The Board considers the performance of the Group's trading investment portfolio may remain susceptible to external market conditions. The Group will continue to closely monitor the performance of its investment portfolio and maintain a strategy of diversification to reduce effects of price fluctuation of any single security from time to time.

Margin financing and money lending

Our margin loan and advance portfolio for margin financing and finance lease increased by 42.0% to HK\$285.3 million as at 31 December 2015 as compared with HK\$200.9 million as at 31 December 2014. Revenue from the margin financing and money lending segment was HK\$25.3 million for the year ended 31 December 2015 as compared with HK\$19.8 million for the corresponding period in 2014. Operating profit for this segment increased by 68.3% to HK\$13.3 million for the year ended 31 December 2015 as compared with HK\$7.9 million for the year ended 31 December 2014.

Corporate advisory and underwriting

With an aim to capture increasing business opportunities in the Hong Kong equity capital market, we have enhanced our investment banking service platform in the second half of 2015. Consequently, we have turned active in the Hong Kong equity capital market and completed several capital raisings as well as corporate finance transactions.

As a result, revenue from our corporate advisory and underwriting business increased by 12.2% from HK\$5.7 million for the year ended 31 December 2014 to HK\$6.4 million for the year ended 31 December 2015. We had been successful in trimming the operating loss of HK\$1.4 million for the year ended 31 December 2014 down to HK\$0.1 million for the year ended 31 December 2015.

Wealth management

The Group has a strong professional team which is committed to providing a full range of financial planning and wealth management services for customers. Products include mutual funds, unit trusts, MPF, group life insurance, personal life insurance, investment-linked products, accident and health insurance. Tailor-made solutions and portfolios are designed for suiting the needs and risk profile of clients. The Group's wealth management arm, South China Wealth Management Limited is a member of the Professional Insurance Brokers Association and registered with the Mandatory Provident Fund Schemes Authority.

Revenue from the wealth management segment was HK\$1.5 million for the year ended 31 December 2015 as compared with HK\$3.0 million for the corresponding period in 2014. Operating loss increased from HK\$1.9 million for the year ended 31 December 2014 to HK\$6.2 million for the year ended 31 December 2015.

Property investment

As of 31 December 2015, all the floor area under the investment properties was rented out to third parties. Rental income increased by 24.3% to HK\$10.4 million in 2015 as opposed to the corresponding period in 2014.

There was neither fair value gain nor fair value loss on the investment properties recorded for the year ended 31 December 2015 as compared with the fair value loss of HK\$33.2 million recorded for the year ended 31 December 2014. Operating profit of HK\$9.3 million was recorded in 2015, an improvement of HK\$35.5 million from the operating loss recorded in 2014.

Other business

Revenue from the business in providing clearing and custodian services to clients amounted to HK\$1.8 million in 2015 as compared with HK\$4.9 million recorded for the corresponding period in 2014. Operating profit decreased from HK\$2.0 million for the year ended 31 December 2014 to HK\$1.0 million the year ended 31 December 2015. The decrease was mainly attributable to the suspension of new applications under the Capital Investment Entrant Scheme with effect from 15 January 2015.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term bank credit facilities which were reviewed on a yearly basis and a long term mortgage loan. The facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The 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. Net debt includes interest-bearing bank borrowings, other borrowings, less cash and bank balances. Capital represents total equity. As at 31 December 2015, net debt amounted to HK\$321.3 million (31 December 2014: HK\$357.7 million), which, when related to the Group's capital and net debt of HK\$992.3 million (31 December 2014: HK\$791.6 million), represented a gearing ratio of approximately 32.4% (31 December 2014: 45.2%).

The Group had a cash balance of HK\$110.7 million at the end of the year (31 December 2014: HK\$127.2 million). The Group had sufficient working capital to meet its operational needs.

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also promote the services of e-statement to our clients which helps to reduce on paper usage.

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as financial assets at fair value through profit or loss and available-for-sale investments at the end of the reporting period. The Group's listed investments are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange and are valued at quoted market prices at the end of the reporting period.

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with floating interest rates. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

PROSPECTS

The Group will continue to develop the brokerage and financial advisory business by improving the electronic trading system and service quality, and also introducing more investment products to clients. We have adopted a cautious approach to the credit control of margin portfolio while maintaining the exposure in the margin finance business.

The push from the Beijing to install a “registration-based” IPO system and launch the Shanghai Strategic Emerging Industries Board in A-share market will put pressure on Hong Kong’s share of the IPO market. However, Hong Kong still enjoys an edge in gaining access to international investors, thereby attracting various companies, particularly small and medium-sized enterprises, that are ready to go public to choose Hong Kong as their listing destination. To capitalize on such market potential, we will continue to optimize our investment banking services platform and diversify our investment banking service offerings.

In view of increasing demand of wealth management services, we strive to become one of Asia’s most developed and reputable financial advisers. We will continue to offer the highest quality onshore and offshore financial products and services by our professional team with integrity and diligence.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2015 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.

Subsequent to the year ended 31 December 2015, Ms. Chan Sau Mui, Juanna resigned as the company secretary of the Company with effect from 8 January 2016. Since then, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2015, the trustee of the Company’s employees’ share award scheme (the “Share Award Scheme”) had not purchased any share of the Company pursuant to the terms of the rules and trust deed of the Share Award Scheme. In addition, there was no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the year.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Tung Woon Cheung Eric (Chairman of the Committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

The Group's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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

Hong Kong, 22 March 2016

As at the date of this announcement, the directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Ms. Ng Yuk Mui Jessica as executive directors; and (2) Hon. Raymond Arthur William Sears, Q.C., Mrs. Tse Wong Siu Yin Elizabeth and Mr. Tung Woon Cheung Eric as independent non-executive directors.