SOUTH CHINA FINANCIAL HOLDINGS LIMITED
南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 (the "Period") are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six Months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Revenue	*3, 5*	**132,674**	66,988
Fair value gain on investment properties		**21,000**	40,000
Impairment of loans and trade receivables, net		**(3,584)**	(1,433)
Fair value gain/(loss) on financial assets at fair value through profit or loss, net		**21,823**	(98,418)
Fair value gain on derivative financial instruments		**3,275**	56
Other income		**1,449**	2,069
Other operating expenses		**(133,999)**	(112,146)
Profit/(loss) from operating activities		**42,638**	(102,884)
Finance costs	*6*	**(9,575)**	(8,120)
Profit/(loss) before tax from continuing operations	*4*	**33,063**	(111,004)
Income tax expenses	*7*	**(2,820)**	(550)
Profit/(loss) for the period from continuing operations		**30,243**	(111,554)

	Notes	Six Months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
DISCONTINUING OPERATION			
Loss for the period from a discontinuing operation		**(5,078)**	–
Profit/(loss) for the period		**25,165**	(111,554)
Attributable to:			
Equity holders of the Company			
— For profit/(loss) from continuing operations		**30,268**	(111,554)
— For loss from a discontinuing operation	*9*	**(5,078)**	–
For profit/(loss) for the period		**25,190**	(111,554)
Non-controlling interests		**(25)**	–
		25,165	(111,554)
Earnings/(loss) per share attributable to equity holders of the Company	*10*		(Restated)
Basic and diluted			
— For profit/(loss) for the period		**HK8.3 cents**	HK37.0 cents
— For profit/(loss) from continuing operations		**HK10.0 cents**	HK37.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2019 (Unaudited)** ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,970**	3,591
Investments properties	*11*	**550,000**	529,000
Right-of-use assets		**7,589**	–
Intangible assets		**10,368**	10,916
Investments in associates		**–**	–
Equity investments designated at fair value through other comprehensive income	*16*	**32,270**	30,520
Debt investments at fair value through other comprehensive income	*16*	**3,080**	3,080
Other assets		**9,038**	7,514
Goodwill		**89,948**	89,948
Long term loans receivable	*13*	**17,345**	11,849
Long term prepayments and deposits		**580**	608
Total non-current assets		**723,188**	687,026
CURRENT ASSETS			
Inventories		**12,409**	13,432
Financial assets at fair value through profit or loss	*12, 16*	**393,965**	431,167
Loans receivable	*13*	**287,958**	285,428
Trade receivables	*14*	**205,238**	167,580
Contract assets		**1,970**	3,352
Prepayments, other receivables and other assets		**50,277**	41,348
Derivative financial instruments	*16*	**495**	541
Tax recoverable		**378**	227
Cash held on behalf of clients		**534,004**	541,617
Cash and bank balances		**87,218**	108,456
		1,573,912	1,593,148
Assets of a disposal group classified as held for sale	*9*	**6,344**	7,225
Total current assets		**1,580,256**	1,600,373

	Notes	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
CURRENT LIABILITIES			
Client deposits		**662,706**	485,171
Trade payables	*14*	**21,728**	170,473
Other payables and accruals		**32,951**	33,174
Derivative financial instruments		**230**	197
Interest-bearing bank and other borrowings		**446,111**	486,978
Tax payables		**5,714**	2,898
		1,169,440	1,178,891
Liabilities directly associated with the assets classified as held for sale	*9*	**7,130**	6,605
Total current liabilities		**1,176,570**	1,185,496
NET CURRENT ASSETS		**403,686**	414,877
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,126,874**	1,101,903
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**151,168**	152,919
Deposits received		**3,234**	3,672
Deferred tax liabilities		**31,210**	30,952
		185,612	187,543
Net assets		**941,262**	914,360
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*15*	**1,085,474**	1,085,474
Reserves		**(145,019)**	(171,945)
		940,455	913,529
Non-controlling interests		**807**	831
Total equity		**941,262**	914,360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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, including compliance with Hong Kong Accounting Standard (the "HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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 2018 annual financial statements of the Group.

The financial information relating to the year ended 31 December 2018 that is included in the unaudited interim condensed consolidated statement of financial position as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follow:

The Company has delivered the financial statements for the year ended 31 December 2018 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 auditors have reported on the financial statements for the year ended 31 December 2018. The auditor's report was unqualified, and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on these interim financial statements.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for office properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for elective exemptions for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

Summary of new accounting policies

The new accounting policies upon adoption of HKFRS 16 from 1 January 2019 will be included in the interim financial statements.

3. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Commission and brokerage income	**17,171**	24,161
Rendering of services	**15,622**	13,801
Handling fee income	**1,199**	1,392
Media publications and financial public relation services* ("Media Services")	**20,931**	18,188
Sales of jewellery products	**18,152**	–
	73,075	57,542
Revenue from other sources:		
Profit/(loss) on the trading of securities, forex, bullion and future contracts, net	**34,317**	(19,232)
Interest income from loans and trade receivables	**10,631**	13,589
Interest income from forex and bullion contracts trading	**230**	286
Interest income from banks and financial institutions	**1,997**	2,254
Dividend income from listed investments	**6,064**	6,648
Gross rental income	**6,360**	5,901
	59,599	9,446
	132,674	66,988

* *Including advertising income, service income and circulation income*

4. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The Group's profit/(loss) before tax from continuing operations is arrived at after charging:		
Cost of services provided	**13,648**	15,371
Depreciation and amortisation	**1,016**	875
Depreciation of right-of-use assets	**987**	–
Cost of inventories sold	**13,653**	–
Cost of media publications and financial public relation services	**15,684**	14,359
Interest expenses for short-term interest-bearing bank and other borrowings	**2,636**	3,389

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 8 (six months ended 30 June 2018: 8) reportable segments as summarised below.

	Six months ended 30 June			
	2019	2018	**2019**	2018
	Revenue	Revenue	**Profit/(loss) from operating activities**	Profit/(loss) from operating activities
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Broking	**16,755**	23,486	**(19,462)**	(9,439)
Trading and investment	**40,617**	(12,112)	**58,991**	(115,228)
Margin financing and money lending	**12,406**	15,623	**(1,850)**	6,842
Corporate advisory and underwriting	**14,916**	13,499	**1,135**	(557)
Assets and wealth management	**2,071**	1,895	**(3,423)**	(8,828)
Property investment	**6,360**	5,901	**26,947**	45,758
Media publication and financial public relation services ("Media Services")	**20,931**	18,188	**(19,171)**	(15,511)
Jewellery and other business	**18,618**	508	**(529)**	(5,921)
Consolidated	**132,674**	66,988	**42,638**	(102,884)

Over 75% 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 properties.

7. INCOME TAX

Hong Kong profits tax has been provided in the current Period at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the underprovision of income tax in the prior years. During the corresponding Period in 2018, no provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profits or had available tax losses carried forward to offset the assessable profits arising in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions 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 Period (six months ended 30 June 2018: Nil).

9. DISCONTINUING OPERATION

Year Blossom Limited, a wholly-owned subsidiary of the Company, together with its subsidiaries (the "Disposal Group") were principally engaged in food and beverage operations in Nanjing, the PRC. During the year ended 31 December 2018, the Group had decided to cease its food and beverage operations business after periodic performance assessment for better allocation of the Group's resources. The Disposal Group was classified as a disposal group held for sale and as a discontinuing operation.

On 1 February 2019, the Company entered into a conditional sale and purchase agreement with South China Industries (BVI) Limited, a wholly-owned subsidiary of South China Holdings Company Limited, pursuant to which the Company agreed to dispose of the entire issued share capital of Year Blossom Limited. As at 30 June 2019, the internal restructuring of the Disposal Group is in the process.

The result of the Disposal Group for the Period are presented below:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue	**4,554**	–
Cost of inventories consumed	**(2,314)**	–
Gross profit	**2,240**	–
Other operation expenses	**(7,318)**	–
Loss before tax from the discontinuing operation	**(5,078)**	–
Income tax	**–**	–
Loss for the period from the discontinuing operation	**(5,078)**	–

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Assets		
Property, plant and equipment	**3,989**	4,716
Inventories	**213**	236
Trade receivables	**–**	43
Prepayments, other receivables and other assets	**1,935**	2,057
Cash and bank balances	**207**	173
Assets classified as held for sale	**6,344**	7,225
Liabilities		
Trade payables	**(2,025)**	(2,663)
Other payables and accruals	**(5,105)**	(3,942)
Liabilities directly associated with the assets classified as held for sale	**(7,130)**	(6,605)
Net assets/(liabilities) directly associated with the Disposal Group	**(786)**	620

The calculation of basic an diluted loss per share from the discontinuing operation are based on:

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Loss attributable to ordinary equity holders of the Company from the discontinuing operation	**(HK$5,078,000)**	–
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted loss per share calculation	**301,277,070**	–
Loss per share		
Basic and diluted, from the discontinuing operation	**(HK1.7 cents)**	–

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the Period attributable to equity holders of the Company of HK$25,190,000 (six months ended 30 June 2018: loss of HK$111,554,000) and the weighted average number of 301,277,070 (six months ended 30 June 2018: 301,434,007 (Restated)) ordinary shares in issue during the Period.

The calculation of the basic earnings/(loss) per share amounts from continuing operations is based on the profit for the year from continuing operations attributable to equity holders of the Company of HK$30,268,000 (six months ended 30 June 2018: loss of HK$111,554,000) and the weighted average number of 301,277,070 (six months ended 30 June 2018: 301,434,007 (Restated)) ordinary shares in issue during the Period.

The basic and diluted earnings per share amounts for the six months ended 30 June 2018 had been adjusted to reflect the share consolidation of the Company during the year ended 31 December 2018.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the impact of the share options outstanding during the periods had no dilutive effect on the basic earnings/(loss) per share amount presented.

11. INVESTMENT PROPERTIES

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Carrying amount at 1 January	**529,000**	480,000
Net gain from a fair value adjustment	**21,000**	49,000
Carrying amount	**550,000**	529,000

On 30 June 2019, the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited at HK$550,000,000 (31 December 2018: HK$529,000,000). The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. The investment properties are leased to third parties under operating leases.

The Group's investment properties are situated in Hong Kong. The investment properties with a carrying value of HK$550,000,000 (31 December 2018: HK$529,000,000) were pledged to secure banking facilities granted to the Group.

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

Location	**Existing use**
26th Floor, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong	Office building

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss represented listed equity investments, mainly in Hong Kong, at market value.

13. LOANS RECEIVABLE

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity dates as follows:

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Repayable:		
On demand	**255,169**	265,800
Within 3 months	**3,683**	15,954
3 months to 1 year	**29,106**	14,390
1 year to 5 years	**17,345**	1,133
	305,303	297,277
Portion classified as current assets	**(287,958)**	(285,428)
Portion classified as non-current assets	**17,345**	11,849

14. TRADE RECEIVABLES AND PAYABLES

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions (normally two business days after the respective trade dates for Hong Kong stocks) or a credit period mutually agreed between the contracting parties. The credit period for Media Services is generally one month, extending up to four months for major customers. The credit period for corporate advisory services is generally within two weeks. The Group's trading terms with its jewellery retail customers are mainly on cash and credit card settlement.

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

15. SHARE CAPITAL

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
Issued and fully paid:		
301,277,070 (2018: 301,277,070) ordinary shares	**1,085,474**	1,085,474

On 8 November 2018, the Company implemented the share consolidation on the basis that every fifty issued shares in the share capital of the Company were consolidated into one consolidated share in the share capital of the Company (the "Share Consolidation"). The issued ordinary shares of the Company were decreased from 15,063,853,500 shares to 301,277,070 shares as a result of the Share Consolidation.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of equity investments and derivative financial instruments are based on quoted market prices. The fair value of debt investments at fair value through other comprehensive income in which represented club debentures have been estimated based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited)	**Significant observable inputs (Level 2) (Unaudited)**	**Significant unobservable inputs (Level 3) (Unaudited)**	**Total (Unaudited)**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Assets measured at fair value:				
Equity investments designated at fair value through other comprehensive income	**32,270**	**–**	**–**	**32,270**
Debt investments at fair value through other comprehensive income	**–**	**3,080**	**–**	**3,080**
Financial assets at fair value through profit or loss	**393,965**	**–**	**–**	**393,965**
Derivative financial instruments	**–**	**495**	**–**	**495**
	426,235	**3,575**	**–**	**429,810**
Liabilities measured at fair value:				
Derivative financial instruments	**–**	**230**	**–**	**230**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *HK$'000*	Significant observable inputs (Level 2) (Audited) *HK$'000*	Significant unobservable inputs (Level 3) (Audited) *HK$'000*	Total (Audited) *HK$'000*
Assets measured at fair value:				
Equity investments designated at fair value through other comprehensive income	30,520	–	–	30,520
Debt investments at fair value through other comprehensive income	-	3,080	–	3,080
Financial assets at fair value through profit or loss	431,167	–	–	431,167
Derivative financial instruments	–	541	–	541
	461,687	3,621	–	465,308
Liabilities measured at fair value:				
Derivative financial instruments	–	197	–	197

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

The Group has recorded a turnaround result for the Period. The aggregate revenue of the Group increased from HK$67.0 million for the Period in 2018 by 98% to HK$132.7 million for the same Period in 2019 and a profit of HK$25.2 million for the Period as opposed to a loss of HK$111.6 million for the corresponding period in 2018.

BUSINESS REVIEW

Brokerage

At the beginning of 2019, global market sentiment improved as a result of the temporary relief of tension of the trade war between the United States ("US") and China and the anticipation of a return to quantitative easing monetary policies around the world. The turning point came in May when the US suddenly accused China of reneging already agreed upon deals and raised the tariff on $200 billion worth of Chinese goods from 10% to 25%. Uncertainties were fueled over the trade negotiations between the U.S. and China again and numerous other geopolitical tensions in both developed and emerging markets. Ongoing demonstrations in Hong Kong have also contributed to the volatile financial landscape, with market turnover plummeting since May and most investors adopting a wait-and-see attitude.

The average daily market turnover for the first half year of 2019 decreased by 23% to HK$98 billion from HK$127 billion for the same period last year. Some of the Group marketing events were cancelled or postponed due to a series of protests. The brokerage commission income decreased from HK$23.5 million to HK$16.8 million and the operating loss of this business segment increased from HK$9.4 million to HK$19.5 million.

Margin financing and money lending

Interest income recorded for the Period was HK$12.4 million compared with HK$15.6 million for the same Period last year. The momentum of the Hong Kong stock market faded out since May and funding was withdrawn from the financial market. The margin loan size was reduced from HK$264.2 million at 31 December 2018 to HK$254.3 million at 30 June 2019. In addition, the monthly average Hong Kong Interbank Borrowing Rates ("HIBOR") increased from 1.04%p.a. for the Period in 2018 by 61% to 1.67%p.a. for the same Period in 2019. As a result, the operating loss of this segment was HK$1.9 million for the Period as opposed to operating profits of HK$6.8 million in the last Period.

Corporate advisory and underwriting

During the first half of 2018, the market was dominated by small and medium size Initial Public Offers ("IPO"). The total number of newly listed companies for the first six months in 2018 was 108 while it was reduced to 84 for the same corresponding Period in 2019. Conversely, the total fund-raising amount was HK$52 billion for the Period ended 30 June 2018 and increased to HK$70 billion for the same corresponding Period in 2019. The average fund-raising size per IPO increased from HK$481 million for the Period ended 30 June 2018 by 73% to HK$833 million for the corresponding Period in 2019.

Our competitive offering worked well in the small-to-medium ("SME") size market with 2 IPO deals completed for the first half year of 2018. In 2019, the bribery scandal of the Listing Division of Hong Kong Exchange and Clearing Limited ("HKEx") 2019, the US-China Trade War and the series of demonstrations in Hong Kong has put a curb on investors' appetites in SME IPO deals. Faced with such a challenging investment environment, we were only able to successfully complete 1 IPO deal for the same corresponding Period in 2019. In order to increase and improve our revenue stream under such unfavorable market sentiments, we are also actively soliciting more private equity and pre-IPO fund raising deals.

Although the business environment was extremely tough during the Period, our Corporate advisory and underwriting departments were able to improve their results during the Period. Our revenue in this business segment has slightly increased to HK$14.9 million as compared with HK$13.5 million for the same Period last year. The operating loss for the Period in 2018 was HK$0.6 million as opposed to the operating profit of HK$1.1 million for the corresponding Period in 2019. We have a strong deal flows pipeline and, provided investors' risks appetite does not deteriorate further, we anticipate our submitted IPO applications to HKEx will crystalize into revenue in the second half of 2019.

Asset and wealth management

For the six-months ended 30 June 2019, this business segment recorded revenue of HK$2.1 million as opposed to HK$1.9 million for the same Period last year and reduced operating loss from HK$8.8 million to HK$3.4 million. We have actively developed various initiatives to build up the business. The Asset Management team was appointed by a Korean bank to manage their private pre-IPO fund set-up in Hong Kong and the Wealth Management team has extended its product range to bonds during the Period.

Although the Group continued to invest in key strategic initiatives for future growth, we will maintain a prudent approach to cost management at all times.

Media and financial public relations

South China Media is one of the top players of financial and lifestyle media brands magazines in Hong Kong and provides a broad spectrum of media related services from print and digital media platforms to event and marketing services.

The business environment for media and entertainment sector remains challenging, particularly for the traditional print media. The revenue and operating loss of the media business segment were HK$20.9 million and HK$19.2 million respectively for the current Period. During the Period, the Media Group continued to focus on investing on the development of its digital offerings and products in order to transform into a multi-media company and provide services to clients through a variety of channels.

Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK$431.2 million as at 31 December 2018 to HK$394.0 million as at 30 June 2019. The major investments holding and its fair value gains or losses are listed below:

Stock code	Name of security	Carrying amount as at 30 June 2019	Percentage of shareholding interest	Fair value gain/(loss) during the year
		HK$'000		*HK$'000*
670	China Eastern Airlines Corporation Limited	100,650	0.151	4,764
3988	Bank of China Limited	72,564	0.007	(4,581)
1097	i-CABLE Communications Limited	45,924	6.502	(541)
1033	Sinopec Oilfield Service Corporation	34,452	0.24	15,098
1618	Metallurgical Corporation of China Ltd.	28,568	0.066	2,870
Others		111,807		4,213
		393,965		21,823

The Hang Seng Index ("HSI") reached its record high of 33,154 in January 2018 and then dropped to 28,955 at 31 December 2018. During the first four months of 2019, HSI picked up its uptrend again and reached 30,157 in April but then the sudden halt on the trade negotiation between US and China has driven the HSI down to 28,543 as at 30 June 2019. The Group grasped the opportunity of market rebound during the Period and recognized a gain of HK$59.0 million from its trading and investment segment as opposed to the loss of HK$115.2 million for the same Period last year. In addition, there was a fair value gain on financial assets for the Period amounted to HK$21.8 million as compared with the fair value loss of HK$98.4 million for the same Period in 2018.

Property investment

The price of commercial properties remained strong in the first half year of 2019. A revaluation gain of HK$21 million, representing 4% of the fair value of our investment property at 31 December 2018, was recorded for the Period. The fair value of the investment properties increased from HK$529 million at 31 December 2018 to HK$550 million at the end of the Period. Gross rental income for the Period also increased by 8.5% to HK$6.4 million from HK$5.9 million for last period.

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 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, less cash and bank balances. Capital represents total equity. The gearing ratio as at 30 June 2019 was approximately 34.6% (31 December 2018: 36.8%). The Group had a cash balance of HK$87.2 million at the end of the Period, a decrease of 19.6% from the end of 2018. The Group had sufficient working capital base to meet its operational needs.

CAPITAL STRUCTURE

There was no material change in Group's capital structure during the Period as compared to the most recent published annual report.

EVENT AFTER THE REPORTING PERIOD

On 3 July 2019, the Company (i) proposed a rights issue on the basis of three rights shares for every two existing shares in issue at a subscription price of HK$0.42 per rights share to raise approximately HK$189.8 million (before expenses) (the "Rights Issue"); and (ii) entered into the underwriting agreement (the "Underwriting Agreement") with Uni-Spark Investments Limited (the "Underwriter"). Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to fully underwrite all the rights shares other than those agreed to be taken up by Mr. Ng Hung Sang ("Mr. Ng") (the Chairman of the Board, an Executive Director and substantial shareholder of the Company and the beneficial owner of the entire interests in the Underwriter) and his close associates (namely (i) the Underwriter; (ii) Fung Shing Group Limited; (iii) Parkfield Holdings Limited; and (iv) Ronastar Investments Limited) and Mr. Ng Yuk Yeung Paul, the son of Mr. Ng pursuant to their respective irrevocable undertakings. Details of the Rights Issue and the Underwriting Agreement were set out in the circular of the Company dated 2 August 2019.

An extraordinary general meeting of the Company was held on 23 August 2019 (the "EGM") to pass the resolutions for among others, the Rights Issue, the Underwriting Agreement and the whitewash waiver. As the Rights Issue was not approved by the independent shareholders at the EGM, the Underwriting Agreement will not become unconditional and the Rights Issue will not proceed.

Prospects

Due to the US-China Trade War and the unstable political environment in Hong Kong, the financial market witnessed significant uncertainty and volatility. Most of investors are hesitant in making further investments and the stock market turnover remains at a relatively low level. The global economy is also under pressure due to the trade and political tensions among the US and other countries as well as an imminent recession in certain geographies. It is the general expectation in various countries that the equities market will be relatively choppy without a clear direction in the near future.

On the other hand, the anticipation of a return to a low interest rate environment has triggered a high demand for fixed income products. The Group has launched our bond financing business in the second quarter this year, and will continue to do marketing and promotion campaigns for this new product to eligible high net worth clients. In addition, the Group noted an upward trend of futures and options trading from its existing clients due to the volatility of the stock market. In order to grasp this upward trend, the Group keeps on organizing seminars both on-line and off-line to educate both existing and potential clients the value of various trading strategies of futures and options so as to compensate the decrease of revenue caused by low turnover in stock market.

In order to establish the Group's brand name and network in the PRC, the Group has signed a memorandum of understanding with a state-owned futures company and is discussing co-operation projects with a radio station in the Great Bay Area ("GBA"). These business alliances are stepping stones for the Group to expand the PRC clientele. Leveraging on the recent technology advancement, a new non-face-to-face account opening mobile application will be launched to allow the clients in the PRC to open accounts with the Group remotely in a regulatory compliant way. Meanwhile, the Group is going to organise seminars and events in the PRC, particularly in the GBA so as to expand its clientele and increase the source of revenue.

The Group aims to grow its loan book in order to generate more bread and butter revenue from interest income. Despite the local and global market environment, we remain watchful for opportunities in corporate finance deals and will continue to develop our business pipeline.

The Group is in discussion with various business partners to establish a range of Private Equity Funds. The aim, aside from generating additional revenue through management fees and AUM in our Asset Management business, is to generate more investment banking related businesses by being able to leverage deals and investors from the private equity funds. The Group believes that this will create more synergies and opportunities between the two business units in the long term.

The Media Group will continue to act as the strategic media partner to select clients and continue to provide total media solutions by utilizing our skills and technology in events management, print, digital and multimedia offerings. Furthermore, we will continue to reinforce the elements of the GBA, the Belt and Road Initiative, Green and Corporate Social Responsibility into our business. By leveraging the resource advantages of South China Finance and South China Media team, our Financial Public Relations team is dedicated to providing tailor-made, comprehensive and integrated public relations as well as marketing services to our corporate clients at different development stages.

With a proud history of more than 30 years and its reputable brand name built in Hong Kong, we believe our strategies will be realized and deliver long term shareholder value in the future.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period (six months ended 30 June 2018: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") except that (i) Mr. Ng Hung Sang, an Executive Director and the Chairman of the Board of the Company and Ms. Cheung Choi Ngor, an Executive Director and the Vice Chairman of the Board of the Company were unable to attend the annual general meeting of the Company held on 18 June 2019 (the "2019 AGM") which deviated from code provision E.1.2 of the CG Code; and (ii) Hon. Raymond Arthur William Sears, Q.C., an Independent Non-executive Director of the Company was unable to attend the 2019 AGM which deviated from code provision A.6.7 of the CG Code as they had other business engagements.

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 Audit Committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

The Group's unaudited consolidated results for the Period have been reviewed by the Audit Committee. The audit committee was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.sctrade.com. The interim report of the Company for the Period will be published on the aforesaid websites and will be despatched to the shareholders of the Company in due course.

By Order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 27 August 2019

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) Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears,Q.C. and Mr. Tung Woon Cheung Eric as independent non-executive directors.