



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 (the “Period”) together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Revenue	3,5	64,745	107,216
Fair value gain on investment property		11,200	–
Impairment of loans and trade receivables, net		(359)	(268)
Fair value gain/(loss) on financial assets at fair value through profit or loss		(21,750)	74,870
Other income		770	1,536
Other operating expenses		(64,456)	(100,672)
Profit/(loss) from operating activities		(9,850)	82,682
Finance costs	6	(4,063)	(3,546)
Share of loss of an associate		–	(974)
Profit/(loss) before tax	4	(13,913)	78,162
Income tax expenses	7	(312)	(305)
Profit/(loss) for the period		(14,225)	77,857
Attributable to:			
Equity holders of the Company		(14,225)	77,863
Non-controlling interests		–	(6)
		(14,225)	77,857
Earnings/(loss) per share attributable to equity holders of the Company	9		
Basic and diluted		(HK0.19cents)	HK1.27cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,644	3,442
Investment property	10	408,700	397,500
Intangible assets		836	836
Available-for-sale investments		29,407	33,258
Other assets		6,690	6,369
Long term deposits		728	727
		<u>449,005</u>	<u>442,132</u>
Total non-current assets			
CURRENT ASSETS			
Financial assets at fair value through profit or loss	11	258,688	204,960
Loans receivable	12	306,870	285,258
Trade receivables	13	127,972	120,947
Other receivables, prepayments and deposits		28,772	31,763
Pledged time deposits		1,316	39,156
Derivative financial instruments	16	1,438	–
Cash held on behalf of clients		435,490	561,659
Cash and bank balances		130,059	110,721
		<u>1,290,605</u>	<u>1,354,464</u>
Total current assets			
CURRENT LIABILITIES			
Client deposits		475,822	613,391
Trade payables	13	26,203	27,093
Other payables and accruals		16,390	18,485
Derivative financial instruments	16	3,163	–
Tax payables		4,339	4,326
Interest-bearing bank borrowings		367,771	256,769
		<u>893,688</u>	<u>920,064</u>
Total current liabilities			
NET CURRENT ASSETS		<u>396,917</u>	434,400
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>845,922</u>	876,532
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		162,435	175,209
Deposits received		1,135	582
Deferred tax liabilities		29,755	29,741
		<u>193,325</u>	<u>205,532</u>
Total non-current liabilities			
Net assets		<u>652,597</u>	<u>671,000</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	597,685	597,685
Other reserves		54,912	73,315
		<u>652,597</u>	<u>671,000</u>
Total equity			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital (Unaudited) <i>HK\$'000</i>	Other reserves (Unaudited) <i>HK\$'000</i>	Retained Profits/ (Accumulated losses) (Unaudited) <i>HK\$'000</i>	Attributable to equity holders of the Company (Unaudited) <i>HK\$'000</i>	Non- controlling interests (Unaudited) <i>HK\$'000</i>	Total equity (Unaudited) <i>HK\$'000</i>
THE GROUP						
At 1 January 2016	597,685	137,398	(64,083)	671,000	-	671,000
Loss for the period	-	-	(14,225)	(14,225)	-	(14,225)
Other comprehensive loss for the period	-	(4,897)	-	(4,897)	-	(4,897)
Total comprehensive loss for the period	-	(4,897)	(14,225)	(19,122)	-	(19,122)
Grant of share options	-	719	-	-	-	719
At 30 June 2016	597,685	133,220	(78,308)	652,597	-	652,597
At 1 January 2015	348,334	134,241	(49,241)	433,334	543	433,877
Profit for the period	-	-	77,863	77,863	(6)	77,857
Other comprehensive income for the period	-	19,473	-	19,473	-	19,473
Total comprehensive income for the period	-	19,473	77,863	97,336	(6)	97,330
Grant of share options	-	154	-	154	-	154
Shares issued under rights issue	251,403	-	-	251,403	-	251,403
At 30 June 2015	599,737	153,868	28,622	782,227	537	782,764

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2016	2015
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Profit/(loss) for the period		(14,225)	77,857
Other comprehensive income/(loss) for the period	15	(4,897)	19,473
Total comprehensive income/(loss) for the period		(19,122)	97,330
Attributable to:			
Equity holders of the Company		(19,122)	97,336
Non-controlling interests		-	(6)
		(19,122)	97,330

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	(117,519)	(358,110)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	1,268	(5,731)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	79,048	403,502
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(37,203)	39,661
Cash and cash equivalents at beginning of the period	149,877	114,491
Effect of foreign exchange rate changes, net	(480)	79
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	112,194	154,231
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	130,059	171,296
Pledged time deposits with original maturity of less than three months when acquired	1,316	1,998
Bank overdraft	(19,181)	(19,063)
	112,194	154,231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 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 2015 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.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements to HKFRSs 2012–2014 Cycle</i>	<i>Amendments to a number of HKFRSs</i>

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Commission and brokerage income	13,140	44,365
Profit on trading of securities, forex, bullion and futures contracts, net	23,132	38,473
Dividend income from listed investments	1,805	584
Interest income from bullion and forex	367	208
Interest income from loans receivable	9,566	10,597
Interest income from banks and financial institutions	674	408
Rendering of services	11,281	7,600
Gross rental income	4,780	4,981
	64,745	107,216

4. PROFIT/(LOSS) BEFORE TAX

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group's profit/(loss) is arrived at after charging:		
Cost of services provided	7,417	18,354
Depreciation	1,013	1,179
Interest expenses for margin financing and money lending operations	1,232	2,622

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			
	2016	2015	2016	2015
			Profit/	Profit/
			(loss) from	(loss) from
			operating	operating
	Revenue	Revenue	activities	activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Broking	13,675	44,971	(31,594)	(2,142)
Trading and investment	25,067	39,485	(2,589)	84,710
Margin financing and money lending	10,817	11,216	7,916	3,686
Corporate advisory and underwriting	9,631	4,450	6,274	645
Wealth management	256	964	(1,841)	(4,255)
Property Investment	4,780	4,980	15,482	4,393
Other business and corporate	519	1,150	(3,498)	(4,355)
Consolidated	64,745	107,216	(9,850)	82,682

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% (2015: 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 2016 (Six months ended 30 June 2015: Nil).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings per share is based on the loss for the Period attributable to equity holders of the Company of approximately HK\$14,225,000 (Six months ended 30 June 2015: profit of HK\$77,863,000) and the weighted average number of 7,542,126,750 (Six months ended 30 June 2015: 6,108,705,975) ordinary shares in issue during the Period.

10. INVESTMENT PROPERTY

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Carrying amount at 1 January	397,500	397,500
Net gain from a fair value adjustment	11,200	–
	<hr/>	<hr/>
Carrying amount	<u>408,700</u>	<u>397,500</u>

On 30 June 2016, the Group's investment property was revalued by Roma Appraisal Limited at HK\$408,700,000 (31 December 2015: 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:

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

11. 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.

12. 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:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Repayable:		
On demand	292,917	266,401
Within 3 months	1,034	1,481
3 months to 1 year	12,919	17,376
1 year to 5 years	–	–
	<hr/>	<hr/>
Portion classified as current assets	306,870 (306,870)	285,258 (285,258)
	<hr/>	<hr/>
Portion classified as non-current assets	–	–
	<hr/>	<hr/>

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Shares		
Issued and fully paid:		
7,542,126,750 (2015: 7,542,126,750) ordinary shares	<u>597,685</u>	<u>597,685</u>

15. OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD

	Six months ended 30 June 2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Changes in fair value of available-for-sale financial assets	(3,851)	19,390
Exchange differences on translation of foreign operations	<u>(1,046)</u>	<u>83</u>
	<u>(4,897)</u>	<u>19,473</u>

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted available-for-sale investments which represented club debentures have been estimated based on market transaction prices. The Group records its derivative activities on the mark-to-market basis. Fair values are determined based on the quotes from market makers or alternative market participants supported by observable inputs including spot and forward exchange rates.

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

As at 30 June 2016

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Assets measured at fair value:</i>				
Available-for-sales investments:				
Equity investments	27,019	-	-	27,019
Debt investments	-	2,388	-	2,388
Financial assets at fair value through profit or loss (note 11)	258,688	-	-	258,688
Derivative financial instruments:				
Leveraged foreign exchange contracts	-	1,424	-	1,424
Leveraged bullion contracts	-	14	-	14
	285,707	3,826	-	289,533
<i>Liabilities measured at fair value:</i>				
Derivative financial instruments:				
Leveraged foreign exchange contracts	-	3,163	-	3,163
Leveraged bullion contracts	-	-	-	-
	-	3,163	-	3,163

As at 31 December 2015

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
<i>Assets measured at fair value:</i>				
Available-for-sales investments:				
Equity investments	30,870	-	-	30,870
Debt investments	-	2,388	-	2,388
Financial assets at fair value through profit or loss (note 11)	204,960	-	-	204,960
Derivative financial instruments:				
Leveraged foreign exchange contracts	-	-	-	-
Leveraged bullion contracts	-	-	-	-
	235,830	2,388	-	238,218
<i>Liabilities measured at fair value:</i>				
Derivative financial instruments:				
Leveraged foreign exchange contracts	-	-	-	-
Leveraged bullion contracts	-	-	-	-
	-	-	-	-

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2016, the Group continued to face challenges from shrinking market turnover and higher levels of market volatility on local and global market uncertainty.

The Group recorded a loss of HK\$14.2 million for the six months ended 30 June 2016 as opposed to a profit of HK\$77.9 million for the corresponding period last year. The loss was largely attributable to a fair value loss and a decline in trading gains on financial assets during the Period whereas the Group reported a significant fair value gain on financial assets for the same period last year. Income from broking business also saw a decline in the first half on weak local stock market turnover. The decline in income from broking and trading and investment segments outweighed the fair value gain on property investment during the Period.

Broking, trading and investment

The average daily Hong Kong market turnover for the six months of 2016 was HK\$67.5 billion, a decrease of 46% when compared with HK\$125.3 billion for the same period last year. Amidst anemic market turnover during the Period, revenue from the broking business during the Period recorded a 69.6% year-on-year decrease to HK\$13.7million. Operating loss for the broking business for the Period widened to HK\$31.6 million from the loss of HK\$2.1 million in the first half of 2015.

The Group's securities trading portfolio presented under financial assets at fair value through profit or loss as at 30 June 2016 increased to HK\$258.7 million from HK\$205.0 million as at 31 December 2015. Its breakdown is set out in the following table:

Stock code	Name of security	Carrying value as at 30 June 2016 <i>HK\$'000</i>	Percentage of shareholding Interest	Fair value gain/(loss) during the Period <i>HK\$'000</i>
670	China Eastern Airlines Corporation Limited	74,965	0.148	(10,309)
1618	Metallurgical Corporation of China Limited	31,739	0.070	817
413	South China Holdings Company Limited	23,209	0.669	(1,200)
992	Lenovo Group Limited	21,678	0.042	(9,734)
1105	Sing Tao News Corporation Limited	14,410	1.681	(1,214)
Others		92,687		(110)
Total		258,688		(21,750)

In light of volatile market conditions in the first six months of 2016, the Group recognized a loss of HK\$2.6 million from its trading and investment segment as opposed to the profit of HK\$84.7 million for the same period last year. Fair value loss on financial assets for the Period amounted to HK\$21.8 million as compared with the fair value gain of HK\$74.9 million recorded in the same period last year.

Margin financing and money lending

The loan portfolio grew 7.6% during the Period to HK\$306.9 million as at 30 June 2016 from HK\$285.3 million as at 31 December 2015. Revenue recorded for the Period was HK\$10.8 million comparing to HK\$11.2 million for the same corresponding period in 2015. Contribution from this segment increased from HK\$3.7 million for the six months ended 30 June 2015 to HK\$7.9 million for the Period.

Corporate advisory and underwriting

In the first half of 2016, the fundraising size of the Hong Kong IPO market decreased 56.6% year-on-year. There were 40 newly listed companies for the Period as compared to 51 in the same period last year. Despite the slowdown in the market, we completed a number of structured financing transactions and participated in several primary and secondary market placings, and continued to extend our footprint in the corporate advisory sector.

As a result, revenue and operating profit from the Group's corporate advisory and underwriting business increased to HK\$9.6 million and HK\$6.3 million, respectively, for the six months ended 30 June 2016. The corresponding revenue and operating profit in the first half of 2015 were HK\$4.5 million and HK\$0.6 million, respectively.

Wealth management

Revenue recorded for the Period was HK\$0.3 million as compared with HK\$1.0 million for the same corresponding period in 2015. Operating loss was reduced to HK\$1.8 million for the Period from HK\$4.3 million for the same period in 2015.

Property investment

Fair value revaluation gain of HK\$11.2 million was recorded for the Period as compared with no fair value gain or loss for the same corresponding period in 2015. Gross rental income was slightly edged down from HK\$5.0 million for the first six months of 2015 to HK\$4.8 million for the Period.

Other business and corporate

HK\$0.5 million was recorded for the Period as compared with HK\$1.2 million for the same corresponding period in 2015. Operating loss was slightly decreased to HK\$3.5 million for the Period from HK\$4.4 million for the same period in 2015.

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. 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 as at 30 June 2016 was approximately 38.0% (31 December 2015: 32.4%).

The Group had a cash balance of HK\$130 million at the end of the current Period, an increase of 17.5% from the end of 2015. The Group had sufficient working capital base to meet its operational needs.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 30 June 2016 the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

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 20 April 2016, the Company announced for a proposed rights issue of 7,542,126,750 rights shares to the qualifying shareholders on the basis of one rights share for every one share of the Company held on the record date at a subscription price of HK\$0.066 per rights share (the "Rights Issue"). The Rights Issue was completed on 11 August 2016 and raised gross proceeds of approximately HK\$497.8 million before expenses. For details of the Rights Issue, please refer to the Company's announcements dated 20 April 2016, 10 May 2016, 30 June 2016 and 10 August 2016 and the circular dated 14 June 2016 and the prospectus dated 20 July 2016.

As a result of the completion of Rights Issue, the exercise price of the outstanding share options and the number of shares for which the holders of such outstanding share options may subscribe upon the exercise thereof have been adjusted in the following manner:

Date of grant	Immediately before completion of the Rights Issue		Immediately after completion of the Rights Issue	
	Exercise price per Share	Number of shares that can be subscribed for upon exercise of the outstanding share options	Adjusted exercise price per Share	Adjusted number of shares that can be subscribed for upon exercise of the outstanding share options
9 June 2015	HK\$0.202	45,000,000	HK\$0.195	46,615,386

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 June 2016.

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

There was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recent published annual report.

EMPLOYEES

As at 30 June 2016 the total number of employees of the Group was approximately 144 (30 June 2015: approximately 122). Employees' costs (including directors' emoluments) amounted to approximately HK\$31.7 million for the Period (six months ended 30 June 2015: approximately HK\$50.3 million).

In addition to salary, other fringe benefits include medical subsidies, life insurance, provident fund and subsidized external training. Continuous professional training will continue to be arranged for those staff registered with the Securities and Futures Commission. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Employees may also be granted share option under the share option scheme adopted by the Company.

PROSPECTS

In the near term, global market sentiment is likely to remain conservative and cautious. However, with the green light of the Shenzhen-Hong Kong Stock Connect, there is much anticipated improvement of market sentiment and market momentum in the latter half of 2016. The Management expects that the Group's all lines of business will be benefited. Looking forward, the Group will remain cautiously optimistic as Hong Kong will continue its prominent role as a key fundraising center for mainland enterprises and as a gateway for accessibility to international markets. The completion of the Company's Rights Issue in early August 2016 has increased the its capital base for expanding its business operation and scale to maintain its market competitiveness in the highly competitive Hong Kong financial market and sharpen its competitiveness to meet the challenges ahead.

MANAGEMENT OF RISKS

The Group set out in its 2015 annual report and financial statements the principal risks and uncertainties that could impact its performance; these have remained unchanged since the annual report was published. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Group reviews and monitors each of these risks closely at all times.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the changes in Directors' information required to be disclosed are set out below:

Mr. Ng Hung Sang, an executive director, a member of the Executive Committee and the Chairman of the Company receives a monthly salary of HK\$160,000 with effect from 1 April 2016.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in shares

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares <i>(Note a)</i>
Ng Hung Sang ("Mr. Ng")	Beneficial owner	556,663,200 <i>(Note b)</i>	9,266,690,117	61.43%
	Interest of controlled corporations	8,710,026,917 <i>(Note c)</i>		
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	615,015,578 <i>(Note d)</i>	615,015,578	4.08%
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse	1,650,000	1,650,000	0.01%

Notes:

- (a) Based on the enlarged issued share capital as if the Rights Issue was completed.
- (b) These include the interests of Mr. Ng in 278,331,600 rights shares to be taken up by him pursuant to the irrevocable undertaking given by him.
- (c) These includes (i) Fung Shing Group Limited ("Fung Shing"), Parkfield Holdings Limited ("Parkfield") and Ronastar Investments Limited ("Ronastar"), which held 588,150,756 shares, 1,115,592,000 shares and 49,996,800 shares respectively, are wholly-owned by Mr. Ng; (ii) the collective interests of Fung Shing, Parkfield and Ronastar in 1,753,739,556 rights shares to be taken up by such companies according to their existing shares pursuant to the irrevocable undertakings given by respective companies; and (iii) 5,202,547,805 rights shares underwritten by Uni-spark Investments Limited, the underwriter, where Mr. Ng is the sole beneficial owner of the underwriter.
- (d) These include the interests of Ms. Cheung in 307,507,789 rights shares to be taken up by her pursuant to the irrevocable undertaking given by her.

Save as disclosed above, as at 30 June 2016, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Directors' and Chief Executives' Interests, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2016, the following person/corporations, other than the Directors or the chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

Long positions in shares

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares <i>(Note a)</i>
Ng Lai King Pamela ("Ms. Ng")	Interest of spouse	9,266,690,117 <i>(Note b)</i>	61.43%
Fung Shing	Beneficial owner	1,176,301,512 <i>(Note c)</i>	7.80%
Parkfield	Beneficial owner	2,231,184,000 <i>(Note d)</i>	14.79%
Uni-spark Investments Limited ("Uni-spark")	Beneficial owner	5,202,547,805 <i>(Note e)</i>	34.49%
Tek Lee Finance And Investment Corporation Limited ("Tek Lee")	Interest of controlled corporation	5,202,547,805 <i>(Note e)</i>	34.49%
South China (BVI) Limited ("SC BVI")	Interest of controlled corporation	5,202,547,805 <i>(Note e)</i>	34.49%
Fortunate Keen Limited ("Fortunate")	Interest of controlled corporation	5,202,547,805 <i>(Note e)</i>	34.49%
Yeung Wing Yee	Beneficial owner	1,010,300,000	6.70%

Notes:

- (a) Based on the enlarged issued share capital as if the Rights Issue was completed.
- (b) Ms. Ng is the spouse of Mr. Ng. By virtue of the SFO, Ms. Ng was deemed to be interested in the 556,663,200 shares and 8,710,026,917 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.
- (c) Fung Shing is wholly-owned by Mr. Ng. These include 588,150,756 rights shares to be taken up by Fung Shing pursuant to the irrevocable undertaking given by it.
- (d) Parkfield is wholly-owned by Mr. Ng. These include 1,115,592,000 rights shares to be taken up by Parkfield pursuant to the irrevocable undertaking given by it.
- (e) Uni-spark, the Underwriter, is wholly-owned by Tek Lee, which is wholly-owned by SC BVI. SC BVI is wholly-owned by Fortunate, which is, in turn, wholly-owned by Mr. Ng. The number of shares held in Uni-spark includes its interests in 5,202,547,805 rights shares underwritten by it. As a result of completion in Rights Issue after the reporting date, Uni-spark's interests has decreased to 358,938,072 shares.

Save as disclosed above, as at 30 June 2016, no person or corporation, other than the Directors or the chief executives of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

EMPLOYEES' SHARE AWARD SCHEME

On 10 June 2015, the Company adopted the share award scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and the conditions of the share award scheme, the Company shall settle a sum up to and not exceeding HK\$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or the GEM Board of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the share award scheme. The Board may, from time to time, select employees for participation in the share award scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

No share award has been granted to the employees of the Company since its adoption.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders of the Company on 5 June 2012 and became effective on 11 June 2012. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2016 were as follows:

Name or category of participants	Number of share options					Outstanding as at 30/06/2016	Date of grant of share options (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY) (Note i)	Subscription price per share HK\$
	Outstanding as at 01/01/2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Employees	20,000,000	-	-	5,000,000	-	15,000,000	09/06/2015	09/06/2016–08/06/2018	0.202
	20,000,000	-	-	5,000,000	-	15,000,000	09/06/2015	09/06/2017–08/06/2019	0.202
	20,000,000	-	-	5,000,000	-	15,000,000	09/06/2015	09/06/2018–08/06/2020	0.202
Total	60,000,000	-	-	15,000,000	-	45,000,000			

At the end of the reporting period, the Company had 45,000,000 outstanding share options, if exercised in full, will give rise to proceeds receivables of approximately HK\$9,090,000 (before issue expenses). However, the exercise price of the outstanding share options and the number of shares for which the holders of such outstanding share options may subscribe upon the exercise thereof is subject to adjustments due to completion of Rights Issue. Details of such adjustments were set out in the above-mentioned "Event after the Reporting Period".

Notes:

- (i) All share options granted are subject to a vesting period and becoming exercisable in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th–36th month	33 $\frac{1}{3}$ %
25th–48th month	33 $\frac{1}{3}$ %
37th–60th month	33 $\frac{1}{3}$ %

The unexercised share options of each exercise period will lapse at the end of the respective exercise periods.

- (ii) The fair values of share options granted on 9 June 2015 was approximately HK\$5,875,000, of which the Company recognized a share option expense of HK\$719,000 during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$154,000).

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

During the Period, the trustee of the Company's employees' 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 Period.

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 Listing Rules throughout the Period and had no material change as compared to the most recent published annual report 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 7 June 2016 since he had other business engagements, which deviated from code provision E.1.2.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding the Directors' securities transactions.

Following specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code regarding director's securities transactions throughout the six months ended 30 June 2016.

REVIEW OF FINANCIAL STATEMENTS

The Group's unaudited consolidated results for the six months ended 30 June 2016 have been reviewed by the audit committee, which 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.

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

Hong Kong, 31 August 2016

As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cbeung 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.