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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 2017

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 2017 (the “Period”) are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>Notes</i>		
Revenue	3, 5	88,706	64,745
Fair value gain on investment properties		—	11,200
Impairment of loans and trade receivables, net		(439)	(359)
Fair value loss on financial assets at fair value through profit or loss		(10,019)	(21,750)
Fair value gain/(loss) on derivative financial instruments		28,963	(1,034)
Other income		1,210	770
Other operating expenses		(106,003)	(63,422)
Profit/(loss) from operating activities		2,418	(9,850)
Finance costs	6	(4,993)	(4,063)
Loss before tax	4	(2,575)	(13,913)
Income tax expenses	7	(388)	(312)
Loss for the period		(2,963)	(14,225)
Attributable to equity holders of the Company		(2,963)	(14,225)
Loss per share attributable to equity holders of the Company	9		(restated)
Basic and diluted		(HK0.02 cents)	(HK0.18 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		2,599	2,770
Investment properties	10	440,000	440,000
Intangible assets		6,764	1,111
Goodwill	15	14,065	—
Available-for-sale investments		35,949	27,058
Other assets		9,175	7,236
Investments in associates		—	—
Long terms loans receivable	12	11,405	1,390
Long term prepayment and deposits		1,223	1,297
Total non-current assets		521,180	480,862
CURRENT ASSETS			
Financial assets at fair value through profit or loss	11	489,961	414,346
Loans receivable	12	283,315	321,718
Trade receivables	13	229,819	235,145
Other receivables, prepayments and deposits		46,508	35,074
Derivative financial instruments	16	422	1,019
Pledged time deposits		500	500
Cash held on behalf of clients		577,470	479,424
Cash and bank balances		218,370	355,406
Tax recoverable		2,165	—
Total current assets		1,848,530	1,842,632
CURRENT LIABILITIES			
Client deposits		620,996	530,863
Trade payables	13	48,085	29,616
Other payables and accruals		18,763	17,823
Derivative financial instruments	16	20,456	49,521
Interest-bearing bank borrowings		390,547	418,519
Tax payables		4,115	4,234
Total current liabilities		1,102,962	1,050,576
NET CURRENT ASSETS		745,568	792,056
TOTAL ASSETS LESS CURRENT LIABILITIES		1,266,748	1,272,918
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		131,169	146,137
Deposits received and other payables		3,516	2,175
Deferred tax liabilities		30,339	30,146
Total non-current liabilities		165,024	178,458
Net assets		1,101,724	1,094,460
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	14	1,085,474	1,086,680
Reserves		16,250	7,780
Total equity		1,101,724	1,094,460

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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”) 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 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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”) and HKAS effective as of 1 January 2017.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in Annual Improvement 2014-2016 Cycle	<i>Disclosure of Interests in Other Entities</i>

The adoption of the above amendments has had no significant financial effect on these interim financial statements.

3. Revenue

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Commission and brokerage income	17,173	13,140
Profit on trading of securities, forex, bullion and futures contracts, net	29,539	23,132
Dividend income from listed investments	926	1,805
Interest income from bullion and forex contracts trading	238	367
Interest income from loans and trade receivable	12,125	9,566
Interest income from banks and financial institutions	793	674
Rendering of services	15,717	11,281
Media publication and financial public relation services	7,402	–
Gross rental income	4,793	4,780
	88,706	64,745

4. Loss before tax

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The Group's loss is arrived at after charging:		
Cost of services provided	22,823	7,417
Cost of media publication and financial public relation services	9,746	–
Depreciation	792	1,013
Interest expenses for margin financing and money lending operations	2,323	1,232
	<u>22,823</u>	<u>7,417</u>

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 2016: 7) reportable segments as summarised below.

	Six months ended 30 June			
	2017	2016	2017	2016
			Profit/	Profit/
			(loss) from	(loss) from
	Revenue	Revenue	operating	operating
	HK\$'000	HK\$'000	activities	activities
Broking	16,861	13,675	(16,441)	(31,594)
Trading and investment	30,377	25,067	46,590	(2,589)
Margin financing and money lending	13,384	10,817	5,781	7,916
Corporate advisory and underwriting	13,854	9,631	(5,640)	6,274
Assets and wealth management	1,431	256	(12,131)	(1,841)
Property investment	4,793	4,780	4,366	15,482
Media publication and financial public relation services	7,402	–	(13,965)	–
Other business and corporate	604	519	(6,142)	(3,498)
	<u>88,706</u>	<u>64,745</u>	<u>2,418</u>	<u>(9,850)</u>
Consolidated	<u>88,706</u>	<u>64,745</u>	<u>2,418</u>	<u>(9,850)</u>

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 properties.

7. Income tax

No provision for the Hong Kong profits tax has been provided 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 during the Period. In the prior period, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that period. 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 2016: Nil).

9. Loss per share attributable to equity holders of the Company

The calculation of basic and diluted loss per share is based on the loss for the Period attributable to equity holders of the Company of approximately HK\$2,963,000 (six months ended 30 June 2016: HK\$14,225,000) and the weighted average number of 15,081,955,157 (six months ended 30 June 2016: 7,817,386,850 (restated)) ordinary shares in issue during the Period. The basic loss per share amount for the six months ended 30 June 2016 has been adjusted to reflect the rights issue during the year ended 31 December 2016.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2017 and 30 June 2016 in respect of a dilution as the impact of the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share amounts presented.

10. Investment properties

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Carrying amount at 1 January	440,000	397,500
Net gain from a fair value adjustment	–	42,500
Carrying amount	440,000	440,000

On 30 June 2017, the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited at HK\$440,000,000 (31 December 2016: HK\$440,000,000). 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\$440,000,000 (31 December 2016: HK\$440,000,000) were pledged to secure banking facilities granted to the Group.

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

Location	Existing use
26 th 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 loans receivable at the end of the reporting period are analysed by the remaining periods to the contractual maturity dates as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Repayable:		
On demand	278,104	309,513
Within 3 months	1,324	132
3 months to 1 year	3,887	12,073
1 year to 5 years	11,405	1,390
	<u>294,720</u>	<u>323,108</u>
Portion classified as current assets	(283,315)	(321,718)
	<u>11,405</u>	<u>1,390</u>
Portion classified as non-current assets		

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. Share capital

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
Shares		
Issued and fully paid:		
15,063,853,500 (2016: 15,084,253,500) ordinary shares	1,085,474	1,086,680

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

	Number of shares in issue	Share capital HK\$'000
At 1 January 2017	15,084,253,500	1,086,680
Shares repurchased	(20,400,000)	(1,206)
At 30 June 2017	15,063,853,500	1,085,474

During the Period, the Company repurchased a total of 20,400,000 ordinary shares (31 December 2016: Nil) on the Stock Exchange at an aggregate consideration of HK\$1,206,000 (31 December 2016: Nil). Prior to 30 June 2017, these shares were surrendered for cancellation, and cancelled. Certain enquiries have been raised by the Companies Registry about the share repurchase when the relevant return was filed with the Companies Registry. The Company has sought, and is awaiting, legal advice on this matter.

15. Business combination

On 18 January 2017, the Group acquired 100% equity interests in Media Bonus Limited and Golden Ways Limited from Win Gain Investments Limited and Surge Fast Assets Limited, respectively, which were wholly owned by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK\$22,329,000, comprising the cash consideration of HK\$20,000,000 and a cash adjustment to consideration of HK\$2,329,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement, of which HK\$18,702,000 were paid for the acquisition of Media Bonus Limited and HK\$3,627,000 for the acquisition of Golden Ways Limited, respectively. Media Bonus Limited and its subsidiaries and Golden Ways Limited are engaged in the financial media business, event management, marketing services and other related business. The acquisition was in line with the Group's overall mission as a distinctive "one-stop services" financial institution and was expected to create synergy to the financial public relation ("FPR") business and current businesses of the Group by offering value-added marketing communication solutions to existing and potential customers with the renowned media platform.

The major assets acquired through this business combination include, amongst others, intangible assets and trade receivables. The aggregate fair values of the net identifiable assets of Media Bonus Limited and Golden Ways Limited as at the date of acquisition was HK\$8,264,000 and resulting in the recognition of goodwill, in aggregate, of HK\$14,065,000 in accordance with HKFRS 3 (Revised) *Business Combinations*.

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 fair value of derivative financial instruments are measured 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 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
<i>Assets measured at fair value:</i>				
Available-for-sales investments:				
Equity investments	33,811	–	–	33,811
Debt investments	–	2,138	–	2,138
Financial assets at fair value through profit or loss (<i>note 11</i>)	489,961	–	–	489,961
Derivative financial instruments:				
Leveraged foreign exchange contracts	–	422	–	422
	<u>523,772</u>	<u>2,560</u>	<u>–</u>	<u>526,332</u>
<i>Liabilities measured at fair value:</i>				
Derivative financial instruments:				
Leveraged foreign exchange contracts	–	20,456	–	20,456

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	Total HK\$'000
<i>Assets measured at fair value:</i>				
Available-for-sales investments:				
Equity investments	24,850	–	–	24,850
Debt investments	–	2,208	–	2,208
Financial assets at fair value through profit or loss (<i>note 11</i>)	414,346	–	–	414,346
Derivative financial instruments:				
Leveraged foreign exchange contracts	–	994	–	994
Leveraged bullion contracts	–	25	–	25
	439,196	3,227	–	442,423
<i>Liabilities measured at fair value:</i>				
Derivative financial instruments:				
Leveraged foreign exchange contracts	–	49,521	–	49,521

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, the Group continued to strengthen and build upon its various business units, as the business continues to go through changes in the expansion and modernization of its service offerings and business model, and commenced its integration with the financial media group acquired in January 2017.

The Group recorded an unaudited loss of HK\$3.0 million for the Period as opposed to an unaudited loss of HK\$14.2 million for the corresponding period last year. The substantial decrease in loss for the Period was largely attributable to net trading and fair value gain on financial assets held for trading as opposed to net trading and fair value loss for the corresponding period last year.

Broking, trading and investment

The average daily Hong Kong market turnover for the six months to 30 June 2017 was HK\$76.0 billion, an increase of 13% when compared with HK\$67.5 billion for the same period last year. Benefiting from the local market rally in the first half of the year, revenue from the broking business recorded a 23.4% year-on-year increase to HK\$16.9 million. Operating loss for the broking business for the Period decreased significantly to HK\$16.4 million from the loss of HK\$31.6 million in the first half of 2016. The decline in loss from the segment was largely attributable to internal business structure reshuffling, whereby certain business units were shifted between segments to reflect their business focus and resource allocation during the Period under review, as well as the improved brokerage income. As a result of the internal business structure reshuffling, the operating costs of broking segment fell whereas the operating costs of asset and wealth management and corporate advisory segments rose.

The Group's securities trading portfolio presented under financial assets at fair value through profit or loss as at 30 June 2017 increased to HK\$490.0 million from HK\$414.3 million as at 31 December 2016. Its breakdown is set out in the following table:

Stock code	Name of security	Carrying value as at 30 June 2017 <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	142,118	0.204	33,515
992	Lenovo Group Limited	104,703	0.191	2,928
1033	Sinopec Oilfield Service Corporation	65,200	0.375	(15,213)
317	CSSC Offshore & Marine Engineering (Group) Company Limited	43,234	0.219	(4,038)
1618	Metallurgical Corporation of China Limited	39,394	0.072	(5,909)
Others		95,312		(21,302)
Total		489,961		(10,019)

Hong Kong saw a rally in local market with the Hang Seng Index and the Hang Seng China Enterprises Index rose 17.1% and 10.3% respectively in the first six months of 2017, outperforming after a year of relatively mild increase compared to the gains in other major markets in 2016. The Group recognized a gain of HK\$46.6 million from its trading and investment segment as opposed to the loss of HK\$2.6 million for the same period last year. Fair value loss on financial assets for the Period amounted to HK\$10.0 million as compared with the fair value loss of HK\$21.8 million recorded in the same period last year.

Margin financing and money lending

The overall loan portfolio fell 8.8% during the Period to HK\$294.7 million as at 30 June 2017 from HK\$323.1 million as at 31 December 2016. Revenue recorded for the Period was HK\$13.4 million comparing to HK\$10.8 million for the same corresponding period in 2016. Earnings from this segment decreased from HK\$7.9 million for the six months ended 30 June 2016 to HK\$5.8 million for the Period, mainly due to a decline in margin loan book from partial unwinding of securities portfolio on margin financing by investors on the recent market rally and higher caution in extending new structured loans after several Hong Kong listed stock were bombarded by stock sellers in late 2016 and during the Period. The Group resumed its money lending business offering unsecured personal loans in December 2016 that has since then been growing steadily in pursuit of a diversified loan portfolio with a reasonable balance of the returns and associated risk. During the period, the personal lending portfolio increased more than 8 folds from the end of last year to HK\$16.6 million. Despite the increasingly fierce competition in the money lending sector, we are prudently optimistic that money lending business will continue its pace of growth in the latter half with more new product offerings to spur the business.

Corporate advisory and underwriting

In the first half of 2017, the fundraising size of the Hong Kong initial public offering (“IPO”) market increased 23.1% year-on-year. There were 72 newly listed companies for the Period as compared to 40 in the same period last year. Amidst strong momentum in IPO market, we completed 1 IPO deal as sole sponsor and lead manager and participated in another IPO deal as co-lead manager. We also participated in several primary and secondary market placings and continued to extend our footprint in the corporate advisory sector.

As a result, revenue from the Group’s corporate advisory and underwriting business increased to HK\$13.9 million in the Period from HK\$9.6 million in the same period last year. In order to build sustained growth and foster further expansion in our investment banking business, the investment banking teams were expanded to cope with the strong deal flow and greater resources were devoted to business development and engaged to assist in the identification of deals with IPO potential and merger and acquisition opportunities in the People’s Republic of China (“PRC”) and overseas. Therefore, the operating costs of the segment hiked in the Period, turning its operating result to a loss of HK\$5.6 million in the first half of 2017 from the profit of HK\$6.3 million a year earlier.

Asset and wealth management

Revenue recorded for the Period was HK\$1.4 million as compared with HK\$0.3 million for the same corresponding period in 2016. Operating loss was widened to HK\$12.1 million for the Period from HK\$1.8 million for the same period in 2016. The increase in loss was largely attributable to a surge in operating costs of the segment resulting from, as mentioned above, a redeployment and shift of certain business units between segments to support the business focus under new business direction during the Period under review.

During the first half of 2017, the Group’s asset management division commenced business and earned fee income from investment management and advisory services. On heightened concerns over the multiple interest rate hikes by the US Feds and the rising expectations that the European Central Bank may reduce its size of stimulus programme, the asset management division considered it not the right time to launch SC Priority Multi-tranche Fixed Income Fund (the “Fixed Income Fund”) that was scheduled for offer to the market in June 2017 and decided to halt the launch of the Fixed Income Fund until the global bond market outlook became clearer. This decision came with a cost of lowering our management fee income expectation of this year.

We are in the process of setting up and launching a private fund investing in Asia Pacific REITs, which is expected to be launched in September 2017. Meanwhile, we are also working on securing multiple investment mandates from various institutional clients that, if concluded, will expand our fee income from investment management and advisory services.

Hong Kong is as a key conduit for foreign and Mainland investments. In consideration of the robust growth in insurance sector in Hong Kong and the growing affluent population in the PRC, who hungers for a broader choices of wealth management products and services, we deployed more resources to expand and enhance our wealth management platform in the region in an effort to tap more businesses from the thriving insurance sector and promote fund distributions. To this end, the Group expanded its business development through development of new channels and extended its network in the PRC.

Media publication and FPR

The acquisition of a financial media group engaged in the publication of “Capital” series magazines was completed in January 2017. The acquisition was in line with the Group’s overall mission as a distinctive “one-stop services” financial institution and the Group has since then commenced the integration of the business, focusing on capitalization of synergistic benefits.

The revenue and operating loss of the media publications and FPR business segment were HK\$7.4 million and HK\$14.0 million for the Period. The loss included one-off transaction costs amounting to HK\$27,000 and HK\$0.2 million incurred up to 30 June 2017 in relation to the acquisition of the financial media group and the New Acquisition, respectively. Suffering from the sluggish economy and bleak consumer sentiment over the past 2 years, the overall advertising market in Hong Kong was weak. The prevailing market environment was challenging and unfavorable to media industry, particularly for traditional print media. Recent economic statistics announced by Hong Kong Government indicate that the prevailing retail situation and market expectation in general have turned slightly positive, with a strong rebound of local economy in the first 2 quarters of 2017 from a year earlier. As such, we are of the view that the overall advertising market is not far from bottoming out. During the Period, the financial media group focused on investing on the research and development, and infrastructural development of its digital offerings and products, including very recently launching its new “Capital” website, and new video-driven products, in order to build an integrated media platform, to capture growing digital-related advertising budgets. A new corporate services team was established, to focus on the development and servicing of corporate clients. With the improving advertising market, re-accelerating economic growth in Hong Kong, and a developing new integrated-multi-channel media platform, we are cautiously confident that the operating performance of media sector will fare better in the near future.

Property investment

Neither fair value revaluation gain nor loss was recorded for the Period as compared with a HK\$11.2 million fair value gain for the same corresponding period in 2016. Gross rental income for the first half of 2017 remained almost the same at HK\$4.8 million as the corresponding period a year earlier.

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 2017 was approximately 21.6% (31 December 2016: 16.1%).

The Group had a cash balance of HK\$218.4 million at the end of the Period, a decrease of 38.5% from the end of 2016. 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.

PROSPECTS

In 2016, the Group expanded new business teams including asset management and money-lending, and built up stronger and larger teams in the investment banking division, to further develop our market and business horizons, broadening the scope of our financial services offerings.

The Hong Kong stock market advanced and outperformed the major markets in the world in the first half of 2017 on the rally of global markets with US and other major markets rising to multi-year or historical highs during the Period.

Even as New York displaced Hong Kong as top IPO hub in the first half and Hong Kong fell to the fourth place after Shanghai and Shenzhen in term of the aggregate amount of fundraising, Hong Kong with its established legal and financial services framework is still a preferred fund raising venue to Mainland enterprises. In fact, the Group's investment banking teams have already secured several IPO deals in the pipeline and are thereby expected to see more IPO deals to be completed and approved for listing in the second half.

The Group's asset management division is prepared to launch its first private fund investing in Asia Pacific REITs in September 2017 and meanwhile is striving to secure multiple investment mandates from various institutional clients. Given Hong Kong's role as a key conduit for foreign and Mainland investments and the robust growth in insurance sector in Hong Kong, we have deployed more resources to expand and enhance our wealth management platform in the region in an effort to tap more businesses from the thriving insurance sector and promote fund distributions. As such, we look forward to a better performance from asset and wealth management business in the second half of this year and beyond.

The Group has commenced its integration plan with the newly acquired financial media group by drawing on the strengths of the Group and the financial media group together to, amongst others, make use of the platform of the financial media group via their publication of magazines, event management and marketing services to provide value-added marketing communications solutions to existing and potential clients and business partners, thereby building up the FPR business, fostering the Group's vision to be an one-stop shop financial services provider.

As a further step to optimize the value of building an integrated platform combining financial services and financial media business, the Directors have resolved to enter into an agreement for a conditional acquisition of the 100% interest in a media group engaged in the publication of lifestyle series magazines and related digital media assets, and creative services and event management services (the "Media Group") at the cash consideration of HK\$15 million, subject to cash adjustment in a manner as contemplated in the relevant sales and purchase agreement (the "New Acquisition"). Information about the New Acquisition is made available on the Company's announcements dated 31 March and 14 July 2017. The New Acquisition is able to augment the existing businesses of the Group by leveraging the combined strengths of the Group and the Media Group acquired under the New Acquisition to create and maximize synergies in the sharing of

resources, enhanced clientele, membership and audience base, digital abilities, bargaining power, cross referrals and aggregate contents, amongst others. The established media brand names, the ability to engage with a wide audience and readership of the financial media business and the business of the Media Group, the established membership base, clientele and editorial network, and the ability to produce and curate premium content, will, through data-driven technology and an integrated-digital platform, enable the Group to generate big data, to develop customized products which meet the needs of consumers more precisely, and target desired client groups more precisely. The combined services of the FPR, the financial media business and the business of the Media Group would further enhance and distinguish the positioning of the enlarged Group as a full-fledged corporate marketing and FPRs consultancy service supplier, and create a more comprehensive and competitive service set. More importantly, it is a long term goal of the Group to build an integrated platform which is able to provide opportunities for growth, not only in its existing business but also into new business lines, to provide a full range of value added services to its end clients in Hong Kong and the PRC; and the digital world offers such an environment in the enlarged business ecosystem as the customer or audience base grows. The New Acquisition is being processed as of the latest practicable date of this result announcement.

Looking ahead, the Company expects new and expanded businesses, coupled with the integration and collaboration with financial media platform, will broaden the revenue base and strengthen the competitive edge of the Group that will further enhance the investors' returns in the long term.

INTERIM DIVIDEND

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company purchased 20,400,000 ordinary shares of the Company on the Stock Exchange at an aggregate price of HKD1,201,100. The repurchased shares had been cancelled subsequently. The details of the repurchased shares are as follows:

Month/Year	Number of Shares Repurchased	Highest Price HKD	Lowest Price HKD	Aggregate price paid HKD
May 2017	17,200,000	0.063	0.058	1,019,900
June 2017	3,200,000	0.057	0.056	181,200
	<u>20,400,000</u>			<u>1,201,100</u>

Except as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

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 throughout the Period and had no material change as compared to the most recent published annual report except that the chairman of the Board was unable to attend the extraordinary general meeting and the annual general meeting of the Company held on 17 January 2017 and 14 June 2017 respectively which deviated from code provision E.1.2 of the CG Code as he had other business engagements at the relevant time.

REVIEW OF FINANCIAL STATEMENTS

The Group’s unaudited consolidated results for the Period 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
南華金融控股有限公司
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 31 August 2017

As at the date of this announcement, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Ms. Ng Yuk Mui Jessica and Dr. Wang Wei Hsin 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.