



## 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)

### INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Period”) together with the relevant comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six Months ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
<b>Revenue</b>	3, 4	<b>63,724</b>	34,291
Other income		<b>4,189</b>	2,335
Fair value gain on investment properties		<b>200</b>	–
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>15,749</b>	(76,850)
Fair value gain on derivative financial instruments		–	112
Loss on disposal of subsidiary		–	(54)
Fair value gain on convertible bonds		<b>2,505</b>	–
Recovery/(impairment) of loans and trade receivables, net		<b>885</b>	(3,309)
Other operating expenses		<b>(76,923)</b>	(118,021)
Profit/(loss) from operating activities		<b>10,329</b>	(161,496)
Finance costs	6	<b>(4,559)</b>	(8,188)
Profit/(loss) before tax	5	<b>5,770</b>	(169,684)
Income tax expenses	7	<b>(108)</b>	(90)
<b>Profit/(loss) for the period</b>		<b><u>5,662</u></b>	<u>(169,774)</u>
Attributable to:			
Equity holders of the Company		<b>5,674</b>	(169,577)
Non-controlling interests		<b>(12)</b>	(197)
		<b><u>5,662</u></b>	<u>(169,774)</u>
Earnings/(loss) per share attributable to equity holders of the Company	9		
Basic		<b><u>HK1.9 cents</u></b>	HK(56.3) cents
Diluted		<b><u>HK1.1 cents</u></b>	HK(56.3) cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,038</b>	2,700
Investment properties	<i>10</i>	<b>526,200</b>	526,000
Right-of-use assets		<b>3,921</b>	5,555
Intangible assets		<b>6,736</b>	7,481
Equity investments designated at fair value through other comprehensive income	<i>16</i>	<b>23,030</b>	23,450
Debt investments at fair value through other comprehensive income	<i>16</i>	<b>2,563</b>	2,563
Other assets		<b>8,988</b>	6,689
Goodwill		<b>44,895</b>	44,895
Long term loans receivable	<i>12</i>	<b>497</b>	2,196
Long term prepayments and deposits		<b>170</b>	437
		<hr/>	<hr/>
Total non-current assets		<b>622,038</b>	621,966
<b>CURRENT ASSETS</b>			
Inventories		<b>16,029</b>	13,100
Financial assets at fair value through profit or loss	<i>11, 16</i>	<b>270,482</b>	261,006
Loans receivable	<i>12</i>	<b>333,882</b>	238,032
Trade receivables	<i>13</i>	<b>185,855</b>	197,612
Prepayments, other receivables and other assets		<b>35,560</b>	52,345
Derivative financial instruments	<i>16</i>	-	505
Tax recoverable		-	238
Cash held on behalf of clients		<b>575,492</b>	524,708
Cash and bank balances		<b>95,718</b>	87,400
		<hr/>	<hr/>
Total current assets		<b>1,513,018</b>	1,374,946

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		<b>As at 30 June 2021 (Unaudited) HK\$'000</b>	As at 31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Client deposits		<b>597,065</b>	605,918
Trade payables	<i>13</i>	<b>178,766</b>	174,871
Other payables and accruals		<b>32,070</b>	37,992
Convertible bonds	<i>14</i>	<b>55,455</b>	57,960
Interest-bearing bank and other borrowings		<b>537,087</b>	370,720
Tax payables		<b>13,142</b>	16,434
		<hr/>	<hr/>
Total current liabilities		<b>1,413,585</b>	1,263,895
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>99,433</b>	111,051
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>721,471</b>	733,017
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>117,418</b>	135,037
Deposits received		<b>1,786</b>	1,373
Deferred tax liabilities		<b>31,203</b>	31,203
		<hr/>	<hr/>
Total non-current liabilities		<b>150,407</b>	167,613
		<hr/>	<hr/>
Net assets		<b>571,064</b>	565,404
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>15</i>	<b>1,085,474</b>	1,085,474
Reserves		<b>(516,811)</b>	(522,509)
		<hr/>	<hr/>
		<b>568,663</b>	562,965
Non-controlling interests		<b>2,401</b>	2,439
		<hr/>	<hr/>
Total equity		<b>571,064</b>	565,404
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000		
<b>At 1 January 2021</b>	<b>1,085,474</b>	<b>129,083</b>	<b>(651,592)</b>	<b>562,965</b>	<b>2,439</b>	<b>565,404</b>
<b>Profit for the period</b>	-	-	5,674	5,674	(12)	5,662
<b>Other comprehensive loss for the period</b>	-	24	-	24	(26)	(2)
<b>Total comprehensive income for the period</b>	-	24	5,674	5,698	(38)	5,660
<b>At 30 June 2021</b>	<b><u>1,085,474</u></b>	<b><u>129,107</u></b>	<b><u>(645,918)</u></b>	<b><u>568,663</u></b>	<b><u>2,401</u></b>	<b><u>571,064</u></b>
At 1 January 2020	1,085,474	131,831	(384,178)	833,127	2,692	835,819
Loss for the period	-	-	(169,577)	(169,577)	(197)	(169,774)
Other comprehensive loss for the period	-	(12,308)	-	(12,308)	(37)	(12,345)
Total comprehensive loss for the period	-	(12,308)	(169,577)	(181,885)	(234)	(182,119)
<b>At 30 June 2020</b>	<b><u>1,085,474</u></b>	<b><u>119,523</u></b>	<b><u>(553,755)</u></b>	<b><u>651,242</u></b>	<b><u>2,458</u></b>	<b><u>653,700</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****Six months ended 30 June**

<b>2021</b>	2020
<b>(Unaudited)</b>	(Unaudited)
<b>HK\$'000</b>	HK\$'000

Net cash flows (used in)/generated from operating activities	<u><b>(137,830)</b></u>	<u>26,371</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividend income received from listed investments	<b>78</b>	15
Purchases of items of property, plant and equipment	<b>(2,525)</b>	(689)
(Increase)/decrease in other assets	<u><b>(2,299)</b></u>	<u>2,260</u>
Net cash flows (used in)/generated from investing activities	<u><b>(4,746)</b></u>	<u>1,586</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of convertible bonds	-	50,000
New bank loans	<b>6,364,488</b>	5,578,724
Repayment of bank loans	<b>(6,214,005)</b>	(5,611,765)
Principal portion of lease payments	<u><b>(1,735)</b></u>	<u>(1,761)</u>
Net cash flows generated from financing activities	<u><b>148,748</b></u>	<u>15,198</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6,172</b>	43,155
Cash and cash equivalents at beginning of the period	<b>69,332</b>	39,760
Effect of foreign exchange rate changes, net	<u><b>413</b></u>	<u>952</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u><u><b>75,917</b></u></u>	<u><u>83,867</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>95,718</b>	106,965
Bank overdrafts	<u><b>(19,801)</b></u>	<u>(23,098)</u>
	<u><u><b>75,917</b></u></u>	<u><u>83,867</u></u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2021*

### **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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (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 2020 annual financial statements of the Group.

The financial information relating to the year ended 31 December 2020 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 2020 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 2020. 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 financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the annual period beginning on 1 January 2021, as disclosed in the annual financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

- Amendment to HKFRS 16 Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest rate benchmark reform — phase 2

The directors do not expect that the amendments listed above will have a material impact on the Group’s condensed consolidated financial statements upon application.

### 3. REVENUE

An analysis of revenue is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<i>Revenue from contracts with customers:</i>		
Commission and brokerage income	<b>12,258</b>	13,863
Rendering of services	<b>758</b>	6,412
Handling fee income	<b>1,074</b>	933
Media publications and financial public relation services* ("Media Services")	<b>9,288</b>	14,549
Sales of jewellery products	<b>16,116</b>	11,991
	<b>39,494</b>	47,748
<i>Revenue from other sources:</i>		
Profit/(loss) on the trading of securities, forex, bullion and future contracts, net	<b>10,951</b>	(29,362)
Interest income from loans and trade receivables	<b>7,208</b>	7,797
Interest income from forex and bullion contracts trading	<b>8</b>	272
Interest income from banks and financial institutions	<b>1,127</b>	1,399
Dividend income from listed investments	<b>78</b>	15
Gross rental income	<b>4,858</b>	6,422
	<b>24,230</b>	(13,457)
	<b>63,724</b>	34,291

\* Including advertising income, service income and circulation income

#### 4. 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 2020: 8) reportable segments as summarised below.

	<b>Six months ended 30 June</b>			
	<b>2021</b>	2020	<b>2021</b>	2020
	<b>Revenue</b>	Revenue	<b>Profit/(loss)</b>	Profit/(loss)
	<b>(Unaudited)</b>	(Unaudited)	<b>from operating</b>	from operating
	<b>HK\$'000</b>	HK\$'000	<b>activities</b>	activities
			<b>(Unaudited)</b>	(Unaudited)
			<b>HK\$'000</b>	HK\$'000
Broking	<b>13,340</b>	14,110	<b>(3,541)</b>	(4,903)
Margin financing and money lending	<b>8,334</b>	9,196	<b>1,021</b>	(7,934)
Assets and wealth management	<b>2,157</b>	1,053	<b>(3,577)</b>	(2,161)
Corporate advisory and underwriting	–	5,850	<b>(528)</b>	(6,900)
Trading and investment	<b>9,197</b>	(29,347)	<b>23,838</b>	(107,175)
Media publication and financial public relation services ("Media Services")	<b>9,288</b>	14,549	<b>(9,083)</b>	(34,988)
Property investment	<b>4,858</b>	6,422	<b>2,570</b>	4,756
Jewellery and other business	<b>16,550</b>	12,458	<b>(371)</b>	(2,191)
	<u><b>63,724</b></u>	<u>34,291</u>	<u><b>10,329</b></u>	<u>(161,496)</u>
Consolidated	<u><b>63,724</b></u>	<u>34,291</u>	<u><b>10,329</b></u>	<u>(161,496)</u>

Other than the revenue from Trading and investment, over 72% of the Group's revenue and contribution to profit/(loss) from operating activities were derived from operations in Hong Kong.

The revenue from Trading and investment was 100% derived from operations in Hong Kong.



#### 4. REVENUE AND SEGMENTAL INFORMATION (Continued)

##### Revenue from contracts with customers

Disaggregated revenue information

For the period ended 30 June 2021

Type of goods or services	Broking (Unaudited) HK\$'000	Asset and wealth management (Unaudited) HK\$'000	Media publications and financial public relation services (Unaudited) HK\$'000	Jewellery business (Unaudited) HK\$'000	Other business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Commission and brokerage income	12,258	-	-	-	-	12,258
Rendering of services	-	324	-	-	434	758
Handling fee income	1,074	-	-	-	-	1,074
Media publications and financial public relation services	-	-	9,288	-	-	9,288
Sales of jewellery products	-	-	-	16,116	-	16,116
Total revenue from contracts with customers	<u>13,332</u>	<u>324</u>	<u>9,288</u>	<u>16,116</u>	<u>434</u>	<u>39,494</u>
<b>Geographical markets</b>						
Hong Kong	13,332	324	9,288	-	434	23,378
Mainland China	-	-	-	16,116	-	16,116
Total revenue from contracts with customers	<u>13,332</u>	<u>324</u>	<u>9,288</u>	<u>16,116</u>	<u>434</u>	<u>39,494</u>

#### 4. REVENUE AND SEGMENTAL INFORMATION (Continued)

##### Revenue from contracts with customers (Continued)

For the period ended 30 June 2020

Type of goods or services	Broking	Corporate	Asset	Media	Jewellery	Other	Total
	(Unaudited)	advisory and	and wealth	publications	business	business	
	HK\$'000	underwriting	management	and financial	(Unaudited)	(Unaudited)	(Unaudited)
		(Unaudited)	(Unaudited)	relation	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	services	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)			
Commission and brokerage income	12,810	-	1,053	-	-	-	13,863
Corporate advisory fee income	3	5,850	-	-	-	-	5,853
Handling fee income	933	-	-	-	-	-	933
Media publications and financial public relation services	-	-	-	14,549	-	-	14,549
Sales of jewellery products	-	-	-	-	11,991	-	11,991
Other business income	92	-	-	-	-	467	559
	<u>13,838</u>	<u>5,850</u>	<u>1,053</u>	<u>14,549</u>	<u>11,991</u>	<u>467</u>	<u>47,748</u>
Total revenue from contracts with customers	<u>13,838</u>	<u>5,850</u>	<u>1,053</u>	<u>14,549</u>	<u>11,991</u>	<u>467</u>	<u>47,748</u>
<b>Geographical markets</b>							
Hong Kong	13,838	2,950	1,053	14,549	-	467	32,857
Mainland China	-	300	-	-	11,991	-	12,291
Other countries	-	2,600	-	-	-	-	2,600
	<u>13,838</u>	<u>5,850</u>	<u>1,053</u>	<u>14,549</u>	<u>11,991</u>	<u>467</u>	<u>47,748</u>
Total revenue from contracts with customers	<u>13,838</u>	<u>5,850</u>	<u>1,053</u>	<u>14,549</u>	<u>11,991</u>	<u>467</u>	<u>47,748</u>

## 5. PROFIT/(LOSS) BEFORE TAX

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>The Group's profit/(loss) before tax is arrived at after charging:</b>		
Cost of services provided	6,729	9,351
Depreciation and amortisation	931	2,172
Depreciation of right-of-use assets	1,596	1,078
Cost of inventories sold	11,673	9,071
Cost of media publications and financial public relation services	4,817	17,305
Lease payment not included in the measurement of lease liabilities	6,218	12,272
Employee benefit expense (including directors' remuneration)	28,765	47,155
Direct operating expenses arising from rental-earning investment properties	931	878

## 6. FINANCE COSTS

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

## 7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided in this 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 2020, 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 2020: Nil).

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

The calculation of the basic and diluted earnings/(loss) per share amounts is based on the profit attributable to equity holders of the Company for the Period of HK\$5,674,000 (six months ended 30 June 2020: loss of HK\$169,577,000) and the weighted average number of 301,277,070 (six months ended 30 June 2020: 301,277,070) ordinary shares in issue during the Period.

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company for the Period. The weighted average number of ordinary shares used in the calculation are the number of ordinary shares as used in the basic earnings/(loss) per share calculation and the full conversion of the convertible bonds into ordinary shares.

## 9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to equity holders of the Company used in the basic and diluted earnings/(loss) per share calculation	<u><b>5,674</b></u>	<u>(169,577)</u>

	<b>Number of shares</b>	
	<b>As at</b>	As at
	<b>30 June</b>	30 June
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Unaudited)
	<b>'000</b>	<b>'000</b>

### Shares

Weighted average number of ordinary shares used in the basic earnings/(loss) per share calculation	<b>301,277</b>	301,277
Effect of convertible bonds	<u><b>227,273</b></u>	<u>–</u>
Weighted average number of ordinary shares used in the diluted earnings/(loss) per share calculation	<u><b>528,550</b></u>	<u>301,277</u>

No adjustment had been made to the basic loss per share amount presented for the six months ended 30 June 2020 in respect of a dilution as the impact of the convertible bonds had an anti-dilutive effect on the basic loss per share amount presented.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the six months ended 30 June 2021 and 2020 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.

## 10. INVESTMENT PROPERTIES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
Balance brought forward	<b>526,000</b>	550,000
Net gain/(loss) from a fair value adjustment	<u><b>200</b></u>	<u>(24,000)</u>
Balance carried forward	<u><b>526,200</b></u>	<u>526,000</u>

On 30 June 2021, the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited at HK\$526,200,000 (31 December 2020: HK\$526,000,000). 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\$526,200,000 (31 December 2020: HK\$526,000,000) were pledged to secure banking facilities granted to the Group.

## 10. INVESTMENT PROPERTIES (Continued)

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

## 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 period to the contractual maturity dates as follows:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Repayable:		
On demand	331,806	210,450
Within 3 months	2,076	16,285
3 months to 1 year	–	11,297
1 year to 5 years	497	2,196
	<u>334,379</u>	<u>240,228</u>
Portion classified as current assets	<u>(333,882)</u>	<u>(238,032)</u>
	<u>497</u>	<u>2,196</u>
Portion classified as non-current assets	<u>497</u>	<u>2,196</u>

## 13. 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.

An ageing analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of loss allowance, is as follows:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Current to 90 days	182,263	197,612
Over 90 days	3,592	–
	<u>185,855</u>	<u>197,612</u>

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

## 14. CONVERTIBLE BONDS

On 7 April 2020, the Company entered into the conditional subscription agreement with Total Grace Investments Limited (“Total Grace”), a company beneficially owned by an executive director, in relation to, among others, the issue of the convertible bonds in an aggregate principal amount of HK\$50,000,000 at the conversion price of HK\$0.22 per share. The convertible bonds in an aggregate principal amount of HK\$50,000,000 were issued by the Company to Total Grace on 30 June 2020.

The convertible bonds have a maturity date (i.e. 29 June 2023) of 3 years from the date of issue and interest-free. The convertible bonds contain a right to convert at a maximum of 227,272,727 shares of the Company at the conversion price of HK\$0.22 per share. Unless previously converted or purchased or redeemed, the Company would redeem the convertible bonds on the maturity date at the redemption amount, which was 100% of the principal amount of the convertible bonds then outstanding. In addition, Total Grace has the right to request the Company to redeem the convertible bonds in cash or convert into the Company’s shares at anytime before the maturity date.

## 15. SHARE CAPITAL

	<b>As at 30 June 2021 (Unaudited) HK\$’000</b>	As at 31 December 2020 (Audited) HK\$’000
Issued and fully paid:		
301,277,070 (2020: 301,277,070) ordinary shares	<b><u>1,085,474</u></b>	<u>1,085,474</u>

## 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 2021

	<b>Quoted prices in active markets (Level 1) (Unaudited) HK\$’000</b>	<b>Fair value measurement using Significant observable inputs (Level 2) (Unaudited) HK\$’000</b>	<b>Significant unobservable inputs (Level 3) (Unaudited) HK\$’000</b>	<b>Total (Unaudited) HK\$’000</b>
<i>Assets measured at fair value:</i>				
Equity investments designated at fair value through other comprehensive income	23,030	-	-	23,030
Debt investments at fair value through other comprehensive income	-	2,563	-	2,563
Financial assets at fair value through profit or loss	270,482	-	-	270,482
	<b><u>293,512</u></b>	<b><u>2,563</u></b>	<b><u>-</u></b>	<b><u>296,075</u></b>
<i>Liabilities measured at fair value:</i>				
Derivative financial instruments	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>55,455</u></b>	<b><u>55,455</u></b>

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

### Fair value hierarchy (Continued)

As at 31 December 2020

	Quoted prices in active markets (Level 1) (Audited) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) (Audited) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
<i>Assets measured at fair value:</i>				
Equity investments designated at fair value through other comprehensive income	23,450	–	–	23,450
Debt investments at fair value through other comprehensive income	–	2,563	–	2,563
Financial assets at fair value through profit or loss	261,006	–	–	261,006
Derivative financial instruments	–	505	–	505
	<u>284,456</u>	<u>3,068</u>	<u>–</u>	<u>287,524</u>
<i>Liabilities measured at fair value:</i>				
Derivative financial instruments	–	–	57,960	57,960

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL SUMMARY**

The aggregate revenue of the Group increased by HK\$29.4 million, i.e. approximately 85.7%, for the six months ended 30 June 2021 (the “Period”) to HK\$63.7 million (six months ended 30 June 2020: HK\$34.3 million). The Group has recorded a profit attributable to the equity holders of the Company of HK\$5.7 million for the Period (six months ended 30 June 2020: loss of HK\$169.6 million). The turnaround of profit attributable to equity holders of the Company was mainly due to profit on trading and investment, fair value gain on financial assets and effectiveness in cost control.

### **BUSINESS REVIEW**

#### **Broking**

Given keen competition in the brokerage business and drastically aggressive pricing strategy from the competitors, the Group’s brokerage commission income slightly decreased by approximately 5.7% to HK\$13.3 million for the Period (six months ended 30 June 2020: HK\$14.1 million). Operating loss was reduced substantially by approximately 28.6% to HK\$3.5 million for the Period (six months ended 30 June 2020: HK\$4.9 million) due to the effective cost containment policies.

The Company launched digital marketing campaigns with positive results in capturing both a broader clientele base and a wider geographical market.

#### **Margin Financing and Money Lending**

Due to the low interest rate environment and squeezing of interest spread, the interest income generated was HK\$8.3 million for the Period (six months ended 30 June 2020: HK\$9.2 million), representing a decline of approximately 9.8%. However, under the effective cost control measurement, this segment successfully turned around by having an operating profit amounted to HK\$1 million for the Period (six months ended 30 June 2020: loss of HK\$7.9 million).

#### **Asset and Wealth Management**

This business segment recorded a substantial increase in revenue of HK\$2.2 million for the Period by comparing with HK\$1.1 million for the same period in 2020. To gain the momentum of this segment, the Group allocated more resources during the Period, which in turn lead to an operating loss of HK\$3.6 million for the Period (six months ended 30 June 2020: HK\$2.2 million).

The focus in the first half was the establishment of a wealth management team, providing advisory services and products to high net worth individuals, such as bonds, funds, financial structured products and product financing etc.. The Company will continue to allocate its resources for expanding its talent team for turning around of this segment.

#### **Corporate Advisory and Underwriting**

Owing to closed borders and limited business travel, corporate advisory business also sluggish. No revenue was recognized in this segment for the Period (six months ended 30 June 2020: HK\$5.9 million). Immediate action was taken to streamline the operations and operating loss substantially decreased by approximately 92.8% to HK\$0.5 million when compared to HK\$6.9 million for the corresponding period of 2020.



## Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, increased from HK\$261 million as at 31 December 2020 to HK\$270.5 million as at 30 June 2021. The major investments holding and their fair value gains or losses are listed below:

Stock code	Name of security	Carrying amount as at 30 June 2021 <i>HK\$'000</i>	Percentage of shareholding interest	Fair value gain/(loss) during the Period <i>HK\$'000</i>
00413	South China Holdings Company Limited	44,251	3.04%	(16,091)
00670	China Eastern Airlines Corporation Limited	45,142	0.24%	(1,130)
01097	i-CABLE Communications Limited	43,187	6.51%	13,931
01033	Sinopec Oilfield Service Corporation	33,134	0.85%	4,885
Others		104,768		14,154
		<u>270,482</u>		<u>15,749</u>

The Group has positioned the investment portfolio for medium to long term growth in traditional industries, the fair value gain resulting from marking investments to market was HK\$15.7 million for the Period compared to a loss of HK\$76.9 million for the same period in last year. Meanwhile, the Group recognised a net realized gain of HK\$11 million for the Period as compared with a loss of HK\$29.3 million for the corresponding period of 2020.

## Media publications and financial public relation services

The business environment for the media sector has similarly faced an extremely challenging environment under the ongoing impacts of COVID-19. Inevitably this has caused a noted reduction in advertising spending across most sectors. During this time, we have re-prioritised our resources towards the development and strengthening of our core print, digital assets as well as the provision of integrated marketing services, with the aim to build influential media brands, under a cost-efficient model in continuing our business. The operating loss of the media business segment reduced from HK\$35 million for the first half of 2020 to HK\$9.1 million for the Period.

## Property investment

A revaluation gain of HK\$200,000 was recorded for the Period as opposed to no revaluation gain for the same period in 2020, while the fair value of the investment properties revalued at HK\$526.2 million as at 30 June 2021. The gross rental income for the Period decreased to HK\$4.9 million from HK\$6.4 million for last Period due to the widespread disruption caused by the outbreak of COVID-19.

## Jewellery

Due to the epidemic of COVID-19 became relatively stable in Mainland China in the first half of 2021, sales of jewellery products increased by approximately 34.2% to HK\$16.1 million for the Period (six months ended 30 June 2020: HK\$12 million). Operating loss was reduced by approximately 68.5% to HK\$130,000 for the Period (six months ended 30 June 2020: HK\$413,000).

## **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 2021 was approximately 51.8% (31 December 2020: approximately 45.7%).

The Group had a cash balance of HK\$95.7 million as at 30 June 2021, representing an increase of 9.5% from the year end date of 2020. 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.

## **USE OF PROCEEDS UPDATE**

### **Use of Proceeds of the issuance of convertible bonds (“CB”)**

With reference to the announcement of the Company dated 30 June 2020 and the circular to shareholders of the Company (the “Shareholders”) dated 15 May 2020, the net proceeds arising from the issuance of CB of HK\$49.6 million were used in the following ways:

- (1) HK\$26.5 million was used for the increase in the Group's liquid capital under the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong); and
- (2) HK\$23.1 million was used for general working capital, including HK\$3.2 million in marketing and promotion; HK\$4 million in repayment of mortgage loans and HK\$15.9 million in administrative expenses, such as employees' salaries and rental expenses.

There was no unutilized proceed as at 30 June 2021.

## **CHARGES ON ASSETS**

As at 30 June 2021, the Group's investment properties, inventories and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had no material contingent liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

There is no material event noted after the reporting period.

## **EMPLOYEES**

As at 30 June 2021, the total number of employees of the Group was 185 (as at 30 June 2020: 235). Employee's cost (including directors' emoluments) amounted to HK\$28.8 million for the Period (six months ended 30 June 2020: HK\$47.2 million).

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

## **PROSPECTS**

The Sino-U.S. trade conflict, sociopolitical unrest and global pandemic have battered heavily against Hong Kong's economy over the past 2 years. With vaccination programs already commenced in Hong Kong in February this year, local economic activities are expected to gradually pick up in the second quarter of 2021. The latest GDP has grown notably by approximately 7.6% when compared with that of last year. The Group remains alert to the unprecedented global pandemic and increasing tension between the PRC and the U.S., and will continue to closely monitor the market situation and take appropriate means to any market changes. Our experience, accumulated in Hong Kong and the PRC over more than 30 years, will enable us to overcome the challenges ahead and enhance positive values to our Shareholders, customers and staff.

## **Financial Services**

### *Brokerage*

Stringent rules governing the companies listed in the U.S. will encourage more Chinese enterprises to switch their IPO plans to Hong Kong. The upbeat IPO market helped Hong Kong rank no. 1 in 7 years out of the past 12 years when compared with the other stock exchanges all over the world. In 2020, total funds raised via the Stock Exchange of Hong Kong with an amount of HK\$398 billion increased by 27% year-on-year in 2020, reflecting global investors' confidence in the city's financial market.

With the launch of the online trading service platform "SCTrade" together with the intensive digital marketing campaigns, the Group has successfully aroused mainland investors' attention and the number of account opening was increased significantly in the first half of 2021. The Group also designed special discount package to stimulate the transaction volume so that the brokerage income will continuously increase in the second half of 2021.

### *Wealth Management*

The Group will continue to enhance its wealth management team by recruiting talents and seasoned staff with sound financial background, and will also enlarge its business scope by building-up networks with national insurance brokerage firms and financial institutions, to offer large varieties of services and products including insurance brokerage, risk management, employee benefits and retirement services to our clients. It is anticipated that the wealth management team will realize more revenue through the corporation in the medium and long-term.

### **Media**

Media business continues to evolve from traditional printed platform into a fully integrated print + digital + events platform for our customers by utilizing our technology in event management, digital and multimedia offerings. With the ease of social distancing measures upon the eradication of the local pandemic, it is believed that event income will be regenerated in the second half of this year. As the Company's products and service offerings improve, it is expected that its income will improve. Moreover, the Group is relentlessly seeking for the development opportunities in the Greater China region and South East Asia, especially the Greater Bay Area and Taiwan, as well as other forms of collaboration in South East Asia. It is anticipated that the geographical expansion will bring positive financial impact to the Group's media segment in the coming years.

The Group will continue to invest in its core brands — Capital, JESSICA and Marie Claire as well as its staff development. Apart from the aggressive business development, the Group will continue to control costs consciously for achieve the operating efficiencies.

### **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the Period (six months ended 30 June 2020: Nil).

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and 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, or as otherwise notified to the Company and 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 and underlying shares of the Company

Name of Director	Capacity	Number of shares/underlying shares				Total	Approximate percentage of shareholding (Note 3)
		Personal interests	Family interests	Corporate interests	Convertible bonds		
Mr. Ng Hung Sang (“Mr. Ng”)	Beneficial owner/ Interests of controlled corporations	11,133,264	-	77,328,343 (Note 1)	227,272,727 (Note 2)	315,734,334	104.80%
Ms. Cheung Choi Ngor	Beneficial owner	12,300,311	-	-	-	12,300,311	4.08%
Hon. Raymond Arthur William Sears, Q.C.	Interest of spouse	-	53,000	-	-	53,000	0.02%

#### Notes:

- The 77,328,343 shares of the Company held by Mr. Ng through controlled corporations included 23,526,030 shares held by Fung Shing Group Limited (“Fung Shing”), 44,623,680 shares held by Parkfield Holdings Limited (“Parkfield”), 1,999,872 shares held by Ronastar Investments Limited (“Ronastar”) and 7,178,761 shares held by Uni-spark Investments Limited (“Uni-spark”). Fung Shing, Parkfield and Ronastar are directly wholly-owned by Mr. Ng. Uni-spark is indirect wholly-owned by Mr. Ng.
- Total Grace Investments Limited is a company wholly-owned by Mr. Ng which holds the convertible bonds issued by the Company in the principal amounts of HK\$50,000,000. Assuming (i) the conversion right under the convertible bonds are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace Investments Limited, representing approximately 75.44% of the total number of issued shares as at 30 June 2021 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- Based on the total number of issued shares (i.e. 301,277,070 shares) of the Company as at 30 June 2021.

Save as disclosed above, none of the Directors and chief executives of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2021.

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

As at 30 June 2021, the interests and short positions of every person, other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

### **Long position in the ordinary shares and underlying shares**

<b>Name</b>	<b>Capacity</b>	<b>Beneficial interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Number of shares and underlying shares held/interested</b>	<b>Approximate percentage of shareholding</b> <i>(Note 5)</i>
Ms. Ng Lai King Pamela	Interest of spouse	-	315,734,334 <i>(Note 1)</i>	-	315,734,334	104.80%
Parkfield Holdings Limited <i>(Note 2)</i>	Beneficial owner	44,623,680	-	-	44,623,680	14.81%
Fung Shing Group Limited <i>(Note 3)</i>	Beneficial owner	23,526,030	-	-	23,526,030	7.81%
Total Grace Investments Limited <i>(Note 4)</i>	Beneficial owner	227,272,727	-	-	227,272,727	75.44%

#### *Notes:*

- Ms. Ng Lai King Pamela is the spouse of Mr. Ng Hung Sang ("Mr. Ng"). By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 88,461,607 shares and 227,272,727 underlying shares which Mr. Ng is interested in.
- Parkfield Holdings Limited is a company wholly-owned by Mr. Ng.
- Fung Shing Group Limited is a company wholly-owned by Mr. Ng.
- Total Grace Investments Limited is a company wholly-owned by Mr. Ng which holds the convertible bonds issued by the Company in the principal amounts of HK\$50,000,000. Assuming (i) the conversion right under the convertible bonds are exercised in full; and (ii) there is no other change to the total number of issued Shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace Investments Limited, representing approximately 75.44% of the total number of issued shares as at 30 June 2021 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- Based on the total number of issued shares (i.e. 301,277,070 shares) of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors and chief executive 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" in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## **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 GEM 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 during the Period.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme in June 2012 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to success of the Group's operations, and retaining such participants for their continuing support to the Group. All granted options under the Scheme were lapsed on 8 June 2020. During the Period, no options were granted, lapsed or cancelled under the Scheme.

## **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 Listing Rules except that (i) Mr. Ng Hung Sang, an Executive Director and the Chairman of the Board of the Company; and (ii) Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric, the Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 22 June 2021 which deviated from code provisions E.1.2 and A.6.7 of the CG Code as they had other business engagements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the Period.

## **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**

The interim results announcement has published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.sctrade.com](http://www.sctrade.com). The interim report of the Company for the Period will be despatched to the Shareholders and available on the above websites on or about 24 September 2021.

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 2021

*As at the date of this report, 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.*