

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2023

#### 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 2023 (the “Period”) are as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Six Months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
			<b>(Restated)</b>
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	3, 4	<b>33,122</b>	14,929
Other income		<b>1,438</b>	3,936
Fair value gain on investment properties		–	2,300
Fair value gain/(loss) on financial assets at fair value through profit or loss		<b>215</b>	(23,739)
Fair value gain/(loss) on convertible bonds		<b>813</b>	(91)
Impairment of impairment of loans and trade receivables, net		<b>(3,276)</b>	(1,343)
Other operating expenses		<b>(66,570)</b>	(63,381)
Loss from operating activities		<b>(34,258)</b>	(67,389)
Finance costs	6	<b>(7,376)</b>	(4,372)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

		<b>Six Months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
			<b>(Restated)</b>
Loss before tax from continuing operations	5	<b>(41,634)</b>	(71,761)
Income tax expenses	7	<u>—</u>	<u>(16)</u>
<b>Loss for the period from continuing operations</b>		<b>(41,634)</b>	<b>(71,777)</b>
<b>DISCONTINUED OPERATION</b>			
Net loss for the period from a discontinued operation	9	<u>(4,004)</u>	<u>(598)</u>
<b>Loss for the period</b>		<b><u>(45,638)</u></b>	<b><u>(72,375)</u></b>
Attributable to:			
Equity holders of the Company			
— For loss from continuing operations		<b>(41,634)</b>	(71,777)
— For loss from a discontinued operation		<u>(2,641)</u>	<u>(405)</u>
		<b>(44,275)</b>	(72,182)
Non-controlling interests			
— For loss from a discontinued operation		<u>(1,363)</u>	<u>(193)</u>
		<b><u>(45,638)</u></b>	<b><u>(72,375)</u></b>
Loss per share attributable to equity holders of the Company			
Basic and diluted			
— For loss for the period	10	<b>HK(14.70) cents</b>	HK(23.96) cents
— For loss from continuing operations		<b><u>HK(13.82) cents</u></b>	<b><u>HK(23.83) cents</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months ended 30 June	
	2023 (Unaudited) <i>HK\$'000</i>	2022 (Unaudited) <i>HK\$'000</i>
<b>LOSS FOR THE PERIOD</b>	<b>(45,638)</b>	<b>(72,375)</b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(552)	(4,177)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	—	(2,063)
	<u>          </u>	<u>          </u>
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(552)</b>	<b>(6,240)</b>
	<u>          </u>	<u>          </u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(46,190)</b>	<b>(78,615)</b>
	<u>          </u>	<u>          </u>
Attributable to:		
Equity holders of the Company	(44,772)	(78,372)
Non-controlling interests	(1,418)	(243)
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<b>(46,190)</b>	<b>(78,615)</b>
	<u>          </u>	<u>          </u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2023</b> (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,777	4,554
Investment properties	11	509,400	509,400
Right-of-use assets	12	88,436	1,443
Goodwill		36,020	36,020
Intangible assets		3,482	4,277
Other assets		6,068	5,845
Debt investments at fair value through other comprehensive income		3,720	3,720
Long term prepayments and deposits		–	22
		650,903	565,281
<b>CURRENT ASSETS</b>			
Inventories		668	9,170
Financial assets at fair value through profit or loss	13	79,685	122,287
Loans receivable	14	80,616	89,655
Trade receivables	15	40,207	39,901
Prepayments, other receivables and other assets		13,411	20,316
Tax recoverable		123	–
Cash held on behalf of clients		303,086	367,991
Cash and bank balances		40,508	52,931
		558,304	702,251
<b>CURRENT LIABILITIES</b>			
Client deposits		305,630	375,959
Trade payables	16	41,982	47,237
Other payables and accruals		46,025	31,663
Interest-bearing bank and other borrowings	17	251,424	322,417
Tax payables		–	10
		645,061	777,286
<b>NET CURRENT LIABILITIES</b>		<b>(86,757)</b>	<b>(75,035)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>564,146</b>	<b>490,246</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at <b>30 June 2023</b> (Unaudited) <i>HK\$'000</i>	As at 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings	<i>17</i>	<b>107,362</b>	77,360
Convertible bonds	<i>18</i>	<b>139,027</b>	50,000
Deposits received		<b>2,060</b>	999
Deferred tax liabilities		<b>27,435</b>	27,435
		<hr/>	<hr/>
Total non-current liabilities		<b>275,884</b>	155,794
		<hr/>	<hr/>
Net assets		<b>288,262</b>	334,452
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>19</i>	<b>1,085,474</b>	1,085,474
Reserves		<b>(797,546)</b>	(752,774)
		<hr/>	<hr/>
		<b>287,928</b>	332,700
Non-controlling interests		<b>334</b>	1,752
		<hr/>	<hr/>
Total equity		<b>288,262</b>	334,452
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2023*

## 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 2022 annual financial statements of the Group.

The financial information relating to the year ended 31 December 2022 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 2022 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 2022. 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.

## Going concern basis

The Group incurred a net loss of approximately HK\$45,638,000 (2022: HK\$72,375,000) for the period ended 30 June 2023. As at 30 June 2023, the Group's current liabilities exceeded its current assets by approximately HK\$86,757,000. In order to improve the liquidity situation and the Group's ability to operate as a going concern, the directors of the Company (the "Directors") have formulated plans and measures to deal with the conditions referred to above, as follows:

- (i) The Group is in the process of negotiating with its banks to refinance its borrowings, and secure necessary facilities to meet the Group's working capital and financial requirements in the near future;
- (ii) In September 2022, a director who is also a substantial shareholder of the Company granted an unsecured 2-year interest-bearing loan facility of an aggregate amount of HK\$100,000,000 to the Group and the drawdown amount as at 30 June 2023 was HKD34,700,000; and
- (iii) The Directors are considering various alternatives to strengthen the capital base of the Group including but not limited to, seeking new investment and business opportunities.

Taking into account reasonably the financial resources available including the available banking facilities and credit facilities provided by a director who is also a substantial shareholder of the Company and another director of the Company, the internally generated funds from operations, proceeds from disposal of assets, and cash and bank balances of the Group, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2023. Accordingly, the Directors consider it is appropriate to prepare the interim financial statement on a going concern basis.

## 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are applicable to the Group for the first time for the current period's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim financial statements.

### 3. 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 the following reportable segments as summarised below.

	<b>Six months ended 30 June</b>			
	<b>2023</b>	2022	<b>2023</b>	2022
	<b>Revenue from</b>		<b>Loss before tax from</b>	
	<b>continuing operations</b>		<b>continuing operations</b>	
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
		(Restated)		(Restated)
Broking	<b>6,081</b>	6,539	<b>(10,686)</b>	(10,739)
Margin financing and money lending	<b>5,863</b>	4,881	<b>(2,845)</b>	(224)
Assets and wealth management	<b>5,293</b>	2,355	<b>(1,358)</b>	(3,115)
Trading and investment	<b>973</b>	(15,003)	<b>(2,295)</b>	(42,483)
Corporate advisory and underwriting	<b>269</b>	–	<b>(368)</b>	(472)
Media publication and financial public relation services (“Media Services”)	<b>12,183</b>	12,862	<b>(10,143)</b>	(9,034)
Property investment	<b>2,313</b>	3,074	<b>(1,595)</b>	1,920
Others	<b>147</b>	221	<b>(2,587)</b>	(998)
Corporate and other unallocated expenses, net	–	–	<b>(2,395)</b>	(2,270)
Finance cost (other than lease liabilities)	–	–	<b>(7,362)</b>	(4,346)
	<u><b>33,122</b></u>	<u>14,929</u>	<u><b>(41,634)</b></u>	<u>(71,761)</u>
Consolidated	<u><b>33,122</b></u>	<u>14,929</u>	<u><b>(41,634)</b></u>	<u>(71,761)</u>

Other than the revenue from trading and investment, over 99% (2022: 99%) of the Group's revenue from continuing operations were derived from operations in Hong Kong.

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



#### 4. REVENUE

An analysis of revenue from continuing operations is as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Restated)</b>
<i>Revenue from contracts with customers:</i>		
Commission and brokerage income	<b>9,733</b>	7,608
Rendering of services	<b>416</b>	221
Handling fee income	<b>1,276</b>	978
Media Services*	<b>12,183</b>	12,862
	<b>23,608</b>	21,669
<i>Revenue from other sources:</i>		
Profit/(Loss) on the trading of securities, funds, bonds, bullion and future contracts, net	<b>1,178</b>	(14,772)
Interest income from loans and trade receivables	<b>3,907</b>	4,641
Interest income from banks and financial institutions	<b>2,058</b>	226
Dividend income from listed investments	<b>58</b>	91
Gross rental income	<b>2,313</b>	3,074
	<b>9,514</b>	(6,740)
	<b>33,122</b>	14,929

\* Including advertising income, service income and circulation income

## Revenue from contracts with customers

Disaggregated revenue information

### For the period ended 30 June 2023

Type of goods or services	Broking (Unaudited) HK\$'000	Asset and wealth management (Unaudited) HK\$'000	Media services (Unaudited) HK\$'000	Corporate advisory and underwriting (Unaudited) HK\$'000	Other business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Commission and brokerage income	5,303	4,430	-	-	-	9,733
Rendering of services	-	-	-	269	147	416
Handling fee income	656	620	-	-	-	1,276
Media publications and financial public relation services	-	-	12,183	-	-	12,183
Total revenue from contracts with customers	<u>5,959</u>	<u>5,050</u>	<u>12,183</u>	<u>269</u>	<u>147</u>	<u>23,608</u>

### Geographical markets

Total revenue from contracts with customers — Hong Kong	<u>5,959</u>	<u>5,050</u>	<u>12,183</u>	<u>269</u>	<u>147</u>	<u>23,608</u>
--	--------------	--------------	---------------	------------	------------	---------------

### For the period ended 30 June 2022 (restated)

Type of goods or services	Broking (Unaudited) HK\$'000	Asset and wealth management (Unaudited) HK\$'000	Media services (Unaudited) HK\$'000	Corporate advisory and underwriting (Unaudited) HK\$'000	Other business (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Commission and brokerage income	5,629	1,979	-	-	-	7,608
Rendering of services	-	-	-	-	221	221
Handling fee income	907	71	-	-	-	978
Media publications and financial public relation services	-	-	12,862	-	-	12,862
Total revenue from contracts with customers	<u>6,536</u>	<u>2,050</u>	<u>12,862</u>	<u>-</u>	<u>221</u>	<u>21,669</u>

### Geographical markets

Total revenue from contracts with customers — Hong Kong	<u>6,536</u>	<u>2,050</u>	<u>12,862</u>	<u>-</u>	<u>221</u>	<u>21,669</u>
--	--------------	--------------	---------------	----------	------------	---------------

## 5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
<b>The Group's loss before tax from continuing operations is arrived at after charging:</b>		
Cost of services provided	3,969	2,548
Cost of media publications and financial public relation services	15,850	12,257
Depreciation and amortisation	1,653	1,681
Depreciation of right-of-use assets	1,310	590
Interest expenses for margin financing and money lending operations	1,684	1,100
Lease payment not included in the measurement of lease liabilities	4,409	4,189
Employee benefit expense (including directors' remuneration)	23,215	24,464
Direct operating expenses arising from rental-earning investment properties	1,597	966

## 6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Interest on bank loans, overdrafts and other borrowings	6,946	4,346
Interest on convertible bonds	416	–
Interest on lease liabilities	14	26

## 7. INCOME TAX EXPENSES

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the Period (2022: Nil). 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, interpretations and practices in respect thereof.

## 8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period (2022: Nil).

## 9. DISCONTINUED OPERATION

Nanjing South China Baoqing Jewellery Co., Ltd, a non-wholly-owned subsidiary of the Company (“Nanjing Baoqing”), was principally engaged in jewellery operation business in Nanjing, the People’s Republic of China (the “PRC”). Pursuant to a shareholders’ resolution of Nanjing Baoqing approved in April 2023, the Group decided to cease its jewellery operation business after periodic performance assessment and for better allocation of the Group’s resources (the “Discontinued Business”). The Group ceased to carry out any business of the Discontinued Business thereafter. The Discontinued Business was classified as a discontinued operation and the profit or loss of the corresponding period were then reclassified. With the Discontinued Business being classified as a discontinued operation, the jewellery business was no longer included in the note for operating segment information.

The results of the Discontinued Business for the six months ended 30 June 2023 and 2022 are presented as below:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue	9,476	12,218
Cost of inventories sold	(9,009)	(9,150)
Other operating expenses	(4,363)	(3,334)
Finance costs	(108)	(332)
	<u>          </u>	<u>          </u>
Loss for the period from a discontinued operation	<u>(4,004)</u>	<u>(598)</u>
Attributable to:		
Equity holders of the Company	(2,641)	(405)
Non-controlling interests	(1,363)	(193)
	<u>          </u>	<u>          </u>
Loss for the period from a discontinued operation	<u>(4,004)</u>	<u>(598)</u>
	<u>          </u>	<u>          </u>
The net cash flows incurred by the Discontinued Business are as follows:		
Operating activities	5,994	2,415
Financing activities	(6,688)	(1,557)
	<u>          </u>	<u>          </u>
Net cash outflow	<u>(694)</u>	<u>(858)</u>

The calculation of basic and diluted loss per share from a discontinued operation are based on:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to ordinary equity holders of the Company from a discontinued operation	<b>HK\$(2,641,000)</b>	HK\$(405,000)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	<b>301,277,070</b>	301,277,070
Loss per share basic and diluted, from a discontinued operation	<b><u>HK(0.88) cents</u></b>	<u>HK(0.13) cents</u>

## 10. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share amounts is based on the loss attributable to equity holders of the Company for the period of HK\$44,275,000 (2022: HK\$72,182,000) and the weighted average number of 301,277,070 (2022: 301,277,070) ordinary shares in issue during the Period.

The calculation of the basic loss per share amounts from continuing operations is based on the loss for the period from continuing operations attributable to equity holders of the Company of HK\$41,634,000 (2022: HK\$71,777,000) and the weighted average number of 301,277,070 (2022: 301,277,070) ordinary shares in issue during the Period.

The calculation of diluted loss per share is based on the 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 loss per share calculation and the full conversion of the convertible bonds and share options into ordinary shares.

No adjustment had been made to the basic loss per share amount presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the impact of the convertible bonds and share options had an anti-dilutive effect on the basic loss per share amount presented.

## 11. INVESTMENT PROPERTIES

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Audited)
	<b>HK\$'000</b>	HK\$'000
At beginning of the period	<b>509,400</b>	526,200
Net loss from a fair value adjustment	<u>–</u>	<u>(16,800)</u>
At end of the period	<b><u>509,400</u></b>	<u>509,400</u>

On 30 June 2023, the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited at HK\$509,400,000 (31 December 2022: HK\$509,400,000). 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 were pledged to secure banking facilities granted to the Group.

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

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

## **12. RIGHT-OF-USE ASSETS**

As at 30 June 2023, the Group's right of use assets mainly comprised of the leasehold forestry land use rights acquired through acquisition of Genius Year Limited and its subsidiaries (the "Acquisition") on 13 January 2023. Details of the Acquisition have been set out in note 18 of the interim financial statements. The leasehold forestry land use rights over certain parcels of land are located in Chongyang County, Xianning City, Hubei Province, the PRC for a tenure of 70 years expiring between 31 July 2079 and 30 April 2083.

## **13. 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.

## **14. 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:

	<b>As at 30 June 2023 (Unaudited) HK\$'000</b>	<b>As at 31 December 2022 (Audited) HK\$'000</b>
Repayable:		
On demand	<b>80,419</b>	89,622
Within 3 months to 1 year	<b>197</b>	33
	<b>80,616</b>	89,655

## 15. TRADE RECEIVABLES

The Group allows a credit period up to the respective settlement dates of securities, 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 Group's trading terms with its jewellery retail customers are mainly on cash, mobile payment 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 <b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 December 2022 (Audited) HK\$'000
Current to 90 days	37,533	37,878
Over 90 days	<u>2,674</u>	<u>2,023</u>
	<u><b>40,207</b></u>	<u><b>39,901</b></u>

## 16. TRADE PAYABLES

The Group's trade payables arose from securities, bullion, commodities dealings, Media Services and jewellery business during the Period.

An ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	As at <b>30 June</b> <b>2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 December 2022 (Audited) HK\$'000
Within 1 to 3 months	35,070	47,237
Over 3 months	<u>6,912</u>	<u>–</u>
	<u><b>41,982</b></u>	<u><b>47,237</b></u>

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

In respect of Media Services and jewellery business, the credit period granted by the creditors ranges from 0 to 90 days and the trade payables are non-interest-bearing.

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Analysed into:		
Bank loans and overdraft repayable:		
Within one year or on demand	251,159	320,222
In the second year	12,952	9,549
In the third to fifth year, inclusive	36,400	1,311
	<u>300,511</u>	<u>331,082</u>
Other borrowings repayable:		
Within one year or on demand	265	2,195
In the second year	58,010	23,800
In the third to fifth year, inclusive	–	42,700
	<u>58,275</u>	<u>68,695</u>
	<u>358,786</u>	<u>399,777</u>

Certain of the Group's bank loans are secured by the Group's investment properties situated in Hong Kong, inventories and certain listed equity investments belonging to the Group and clients.

As at 30 June 2023, the Group's other borrowings mainly comprised of unsecured loans from a substantial shareholder and directors of the Company in an aggregate amount of HK\$57,800,000 (31 December 2022: HK\$66,500,000). As at 30 June 2023, the substantial shareholder and directors confirmed in writing to waive the entire interest from the dates of drawdown to 30 June 2023 and not to demand repayment of the amounts due thereto for not less than twelve months from 30 June 2023.

## 18. 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 (the "CB 2020") in an aggregate principal amount of HK\$50,000,000 at the conversion price of HK\$0.22 per share. The CB 2020 in an aggregate principal amount of HK\$50,000,000 were issued by the Company to Total Grace on 30 June 2020.

The CB 2020 have a maturity date of 3 years from the date of issue and interest-free. The CB 2020 contains 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 CB 2020 on the maturity date at the redemption amount, which was 100% of the principal amount of the CB 2020 then outstanding. In addition, Total Grace has the right to request the Company to redeem the CB 2020 in cash or convert into the Company's shares at any time before the maturity date.



On 16 May 2022, the Company and Total Grace entered into the supplemental agreement, pursuant to which the Company and Total Grace conditionally agreed to extend the maturity date by three (3) years from 30 June 2023 to 30 June 2026 by way of execution of the amendment deed.

As at the end of the reporting period, Total Grace confirmed to continue to hold the CB 2020 and not demand for conversion of the CB 2020 to ordinary shares of the Company nor demand for repayment of the amount due to it for not less than twelve months from the reporting date. Accordingly, the CB 2020 were classified under non-current liabilities as at 30 June 2023 and 31 December 2022.

On 13 September 2022, the Group entered into a conditional sale and purchase agreement with Thousand China Investments Limited (“Thousand China”), an indirect wholly-owned subsidiary of South China Holdings Company Limited to acquire the entire share capital of Genius Year Limited and its subsidiaries at a total consideration of HK\$89,840,000. The consideration would be settled by way of the convertible bonds (the “CB 2023”) to be issued by the Company upon completion (the “Transaction”). The Transaction was completed and the CB 2023 in an aggregate principal amount of HK\$89,840,000 were issued by the Company to Thousand China on 13 January 2023.

The CB 2023 has a maturity date of 3 years from the date of issue and bears interest of 1% per annum. The CB 2023 contains a right to convert at a maximum of 280,750,000 shares of the Company at the conversion price of HK\$0.32 per share. Subject to the terms and conditions of the CB 2023, Thousand China has the right to convert the CB 2023 into the Shares subject to mutual agreement in writing between Thousand China and the Company at any time during the period commencing from the date of issue of the CB 2023 up to the fifth business days prior to the maturity date by complying with the relevant procedures set out in the terms and conditions of the CB 2023.

The movements of the convertible bonds during the period/year are as follows:

	<b>As at 30 June 2023 (Unaudited) HK\$'000</b>	<b>As at 31 December 2022 (Audited) HK\$'000</b>
At beginning of the period	<b>50,000</b>	51,273
Nominal value of convertible bonds issued during the period/year	<b>89,840</b>	–
Gain from change in fair value	<b>(813)</b>	(1,273)
	<b>139,027</b>	50,000

## 19. SHARE CAPITAL

	<b>As at 30 June 2023 (Unaudited) HK\$'000</b>	<b>As at 31 December 2022 (Audited) HK\$'000</b>
Issued and fully paid:		
301,277,070 (31 December 2022: 301,277,070) ordinary shares	<b>1,085,474</b>	1,085,474

## 20. 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 2023

	Quoted prices in active markets (Level 1) (Unaudited) HK\$'000	Fair value measurement using		Total (Unaudited) HK\$'000
		Significant observable inputs (Level 2) (Unaudited) HK\$'000	Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	
<i>Assets measured at fair value:</i>				
Debt investments at fair value through other comprehensive income	–	3,720	–	3,720
Financial assets at fair value through profit or loss	79,685	–	–	79,685
	<u>79,685</u>	<u>3,720</u>	<u>–</u>	<u>83,405</u>
<i>Liabilities measured at fair value:</i>				
Convertible bonds	–	–	139,027	139,027

#### As at 31 December 2022

	Quoted prices in active markets (Level 1) (Audited) HK\$'000	Fair value measurement using		Total (Audited) HK\$'000
		Significant observable inputs (Level 2) (Audited) HK\$'000	Significant unobservable inputs (Level 3) (Audited) HK\$'000	
<i>Assets measured at fair value:</i>				
Debt investments at fair value through other comprehensive income	–	3,720	–	3,720
Financial assets at fair value through profit or loss	122,287	–	–	122,287
	<u>122,287</u>	<u>3,720</u>	<u>–</u>	<u>126,007</u>
<i>Liabilities measured at fair value:</i>				
Convertible bonds	–	–	50,000	50,000

## 21. COMPARATIVE FIGURES

As set out in note 9, certain comparative figures relating to the Discontinued Business have been restated to conform to the current period's presentation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL SUMMARY**

The consolidated revenue from continuing operations of the Group was HK\$33.1 million for the six months period ended 30 June 2023 (“Period 2023”) (2022: HK\$14.9 million). The increase in revenue was mainly attributable to net revenue gain on disposal of investments mainly in trading and investment sector of HK\$0.9 million for the Period 2023 versus net revenue loss of HK\$14.8 million recorded for the prior period. On the cost front, total other expenses from continuing operations, including direct cost of services, staff salaries and benefits, rental and other administrative and office expenses amounted to HK\$66.6 million (2022: HK\$63.4 million). The Group’s consolidated loss from continuing operations for the Period 2023 amounted to HK\$41.6 million (2022: HK\$71.8 million).

During the Period 2023, the Group decided to cease its jewellery business for better allocation of the Group’s resources and the consolidated loss from this discontinued operation for the Period 2023 amounted to HK\$4.0 million (2022: HK\$0.6 million).

### **BUSINESS REVIEW**

Due to uncertainties in both regional and global economies in the first half of year 2023, capital markets in Hong Kong and worldwide remained sluggish, which in turn had an adverse impact on the traditional brokerage and margin financing business of the Group. As clients’ investment behavior and appetite is affected by the overall market atmosphere, the Group continues to transform as an integrated financial services provider, to furnish a wider variety of services to its clients and to diversify its revenue sources.

#### **Brokerage**

The rapid decline in the share prices of many major blue-chip stocks since 2021 has diminished investors’ assets and their desire to invest has greatly weakened, resulting in a continuous decline of turnover. Overall market sentiment was poor and Hong Kong stocks have repeatedly plunged during the Period. Amid the volatile market conditions, the Hang Seng Index slid from the closing price of 19,781 on 31 December 2022 to 18,916 on 30 June 2023. The daily Hong Kong stock market turnover decreased by 16.4%, from HK\$138.3 billion for first half of year 2022 to HK\$115.5 billion for the same period of year 2023. Resulting from the fragile sentiment across global and local markets, the Group’s brokerage commission income decreased by approximately 7.0% to HK\$6.1 million for the Period 2023 (2022: HK\$6.5 million). Operating loss amounted to HK\$10.7 million (2022: HK\$10.7 million).

## Margin Financing and Money Lending

Global IPO activities remained weak in the first half of 2023 amid a challenging market, while the Hong Kong IPO market was once again able to demonstrate its resilience, recording slight increases in both the number of deals and total funds raised in the first half of 2023 as compared to the same period of 2022. Revenue from this segment increased to HK\$5.9 million for the Period 2023 (2022: HK\$4.9 million), representing an increase of approximately 20.1%. Nevertheless, due to the squeezing of interest spread with market competition and persistent increase in banks' lending rates, operating loss for this segment amounted to HK\$2.8 million (2022: HK\$0.2 million).

## Asset and Wealth Management

This business segment recorded revenue of HK\$5.3 million for the Period 2023 (2022: HK\$2.4 million), an increase of 124.8%. Operating loss decreased by approximately 56.4% to HK\$1.4 million for the Period 2023 (2022: HK\$3.1 million). With the launch of two new unique brands namely "SC Wealth" and "SC Private" in the last quarter of Year 2022, the Group continued to expand its scope of bespoke financial planning services and range of quality financial products to its high-net-worth clients, supporting clients' needs in financial planning, investment and wealth management. The Group focused resources to expand its talent team and build up the size of assets under management of the Group.

## Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK\$122.3 million as at 31 December 2022 to HK\$79.7 million as at 30 June 2023. 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 2023 <i>HK\$'000</i>	Percentage of shareholding interest	Fair value gain/(loss) during the Period <i>HK\$'000</i>
01097	i-CABLE Communications Limited	22,754	6.51%	5,573
00413	South China Holdings Company Limited	21,663	3.56%	(471)
00670	China Eastern Airlines Corporation Limited	12,405	0.09%	(2,434)
Others		22,863		(2,453)
		<u>79,685</u>		<u>215</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\$0.2 million for the Period 2023 (2022: loss of HK\$23.7 million). Meanwhile, the Group recognised a net realised gain of HK\$0.9 million for the Period 2023 (2022: loss of HK\$14.8 million).

### **Media publications and financial public relation services**

Media business continues to evolve from traditional print platform into a digital first platform with print and event businesses fully integrated into a more cost effective and performance driven ecosystem, providing extensive marketing and branding offerings to its clients. During the Period 2023, the Group enriched the quality of its content with increased social media focused strategy including an increased use of short videos and actively explored the development of social public relation and related business, while implementing precise cost-control measures in order to facilitate the smooth running of its operations, total revenue amounted to HK\$12.2 million for the Period 2023 (2022: HK\$12.9 million), representing a slight decline of 5.3%. With an aim of further development and strengthening of our core print and digital assets as well as the provision of integrated marketing services, the Group continued to allocate more resources during the review period, operating loss amounted to HK\$10.1 million (2022: HK\$9.0 million).

### **Property investment**

During the first half of 2023, office leasing momentum remained slow on the back of prolonged uncertainties in the global economic outlook. Occupiers are expected to retain a conservative stance towards leasing in the short term, with lease renewals, renegotiations, right sizing and enhancing lease flexibility among choices available to them. The gross rental income for the Period 2023 decreased to HK\$2.3 million (2022: HK\$3.1 million). As at 30 June 2023, the fair value of the investment properties revalued at HK\$509.4 million. No fair value change was reported for the Period 2023 (2022: revaluation gain of HK\$2.3 million).

### **Jewellery**

Nanjing South China Baoqing Jewellery Co., Ltd, a non-wholly-owned subsidiary of the Company, was principally engaged in jewellery operation business in Nanjing, the PRC. During the Period 2023, the Group decided to cease its jewellery operation business after periodic performance assessment for better allocation of the Group's resources. Revenue for the Period 2023 decreased to HK\$9.5 million (2022: 12.2 million) and net loss for the Period 2023 amounted to HK\$4.0 million (2022: HK\$0.6 million).

## **Other business**

In January 2023, the Group completed the acquisition of the entire share capital of Genius Year Limited and its subsidiaries (“Genius Year Group”) at a total consideration of HK\$89.8 million. Genius Year Limited indirectly holds 100% interests in 65 parcels of forestry land situated in Chongyang County, Xianning City, Hubei Province, the PRC, with a total area of approximately 139,216 mu. It is believed that the investment in the Genius Year Group will provide a good opportunity for the Group to widen its businesses to the forestry business in the medium term.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from banks. 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 and other borrowings and convertible bonds, less cash and bank balances. Capital represents total equity. The gearing ratio as at 30 June 2023 was approximately 61.3% (31 December 2022: 54.3%). The Group had a cash balance of HK\$40.5 million as at 30 June 2023 (31 December 2022: HK\$52.9 million), representing a decrease of 23.5%. Taking into account the financial resources available including the available banking facilities and credit facility provided by a substantial shareholder who is also a director of the Company and another director of the Company, the internally generated funds from operations, proceeds from disposal of assets, and cash and bank balances of the Group, the Board considers that the Group has sufficient working capital base to meet its operational needs.

## **CAPITAL STRUCTURE**

There was no material change in Group’s capital structure during the Period 2023 as compared to the most recent published annual report.

## **CHARGES ON ASSETS**

As at 30 June 2023, the Group’s investment properties and certain listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, the Group had no material contingent liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

There is no material event noted after the reporting period and up to the date of this announcement.

## **EMPLOYEES**

As at 30 June 2023, the total number of employees of the Group was 158 (30 June 2022: 172). Total employee's cost from continuing and discontinued operations (including directors' emoluments) amounted to HK\$26.7 million for the Period 2023 (2022: HK\$25.9 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 (the "SFC"). 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. 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**

Global IPO activities remained weak in the first half of 2023 amid a challenging market, but the Hong Kong IPO market was once again able to demonstrate its resilience, recording slight increases in both the number of deals and total funds raised in the first half of 2023 as compared to the same period of 2022. With a stable IPO pipeline and the new listing regime for Specialist Technology Companies, the Hong Kong IPO market is poised for a major rebound in the second half of the year.

The wealth management segment remains a key strategic area for growth in our business. We continue to seek support from key business partners with our new brands "SC Private" and "SC Wealth" despite the lackluster market environment. Apart from strengthening our distribution and client reach, we will continue our efforts in diversifying and expanding our product suite.

In March 2023, South China Securities Limited ("SCSL"), a wholly-owned subsidiary of the Company, received a formal notification from the SFC being the approval on the application for engagement in virtual asset introducing brokerage ("VA-related") activities, subject to compliance by SCSL with licensing conditions imposed on the license of SCSL by the SFC. The Group believes that VA-related services are an emerging business that will provide clients with more diversified investment options and can offer vitality to the traditional Hong Kong financial market.

For the media publications and financial public relation services segment, the Group actively responds to the evolution of the current epoch by advancing its new media development. Media business continues to evolve from selling media space to a more marketing solution based business, providing extensive marketing and branding offerings to its clients, leveraging our media platforms as the center of a much more integrated marketing offering. With the goal of transforming the traditional media to new digital media, the Group will strive to identify and seize market opportunities to promote and develop integrated marketing service industry.

Despite the uncertainties and challenges casted by the macroeconomic and political factors, the Group will continue to strengthen business transformation, focus on the capital-light business as the core, and build an integrated financial service platform to improve the performance of the Group so as to pursue a satisfactory return to the shareholders of the Company (the “Shareholders”).

### **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the Period 2023 (six months ended 30 June 2022: Nil).

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Period 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **CORPORATE GOVERNANCE CODE**

The Company complied with the applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the Period except the following as they had other business engagements, which deviated from code provisions C.1.6 and F.2.2 of the CG Code:

- (i) Mr. Ng Hung Sang, an Executive Director and the Chairman of the Board of the Company, Hon. Raymond Arthur William Sears, K.C. (“Mr. Sears”) and Mr. Tung Woon Cheung Eric, both are Independent Non-executive Directors of the Company were unable to attend an extraordinary general meeting of the Company held on 11 January 2023; and
- (ii) Mr. Sears and Mr. Lam Douglas Tak Yip, SC, an Independent Non-executive Director of the Company were unable to attend an annual general meeting of the Company held on 20 June 2023.



## 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), Mrs. Tse Wong Siu Yin Elizabeth and Hon. Raymond Arthur William Sears, K.C..

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 in due course.

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

Hong Kong, 29 August 2023

*As at the date of this announcement, the directors of the Company are:*

### ***Executive Directors***

*Mr. Ng Hung Sang*  
*Ms. Cheung Choi Ngor*  
*Ms. Ng Yuk Mui Jessica*  
*Mr. Ng Yuk Yeung Paul*

### ***Independent Non-executive Directors***

*Mrs. Tse Wong Siu Yin Elizabeth*  
*Hon. Raymond Arthur William Sears, K.C.*  
*Mr. Tung Woon Cheung Eric*  
*Mr. Lam Douglas Tak Yip, SC*