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## **SOUTH CHINA FINANCIAL HOLDINGS LIMITED**

**南華金融控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00619)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **GROUP RESULTS**

Reference is made to the announcement of South China Financial Holdings Limited (the “Company”) dated 31 March 2022 in relation to the unaudited annual results of the Company and its subsidiaries (collectively the “Group”) for the Reporting Period (the “2021 Unaudited Annual Results Announcement”).

The board of directors (the “Board”) of the Company is pleased to announce that the auditing process of the audited annual results of the Group for the Reporting Period has been completed. The Board wishes to announce that on 11 April 2022, the Company has obtained the agreement from the Group’s auditor on the figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto as set out in this announcement. As certain adjustments have been made to the unaudited financial information of the Group as contained in the 2021 Unaudited Annual Results Announcement, the differences between the unaudited financial information and the audited financial information contained in this announcement are set out in the section headed “MATERIAL DIFFERENCES BETWEEN 2021 AUDITED ANNUAL RESULTS AND 2021 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT” in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>REVENUE</b>	2	<b>106,861</b>	89,489
Other income		<b>1,647</b>	11,812
Fair value gain/(loss) on investment properties		<b>200</b>	(24,000)
Fair value loss on financial assets at fair value through profit or loss, net		<b>(23,270)</b>	(42,326)
Fair value gain/(loss) on convertible bonds		<b>6,687</b>	(7,960)
Impairment of goodwill		—	(38,599)
Impairment of loans and trade receivables, net		<b>(5,762)</b>	(4,360)
Other operating expenses	4	<b>(155,958)</b>	(226,224)
<b>Loss from operating activities</b>		<b>(69,595)</b>	(242,168)
Finance costs	6	<b>(9,867)</b>	(13,728)
<b>LOSS BEFORE TAX</b>	5	<b>(79,462)</b>	(255,896)
Income tax credit (expense)	7	<b>1,934</b>	(12,750)
<b>LOSS FOR THE YEAR</b>		<b>(77,528)</b>	(268,646)
Attributable to:			
Equity holders of the Company		<b>(77,234)</b>	(268,229)
Non-controlling interests		<b>(294)</b>	(417)
		<b>(77,528)</b>	(268,646)
<b>LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted			
— For loss for the year		<b>(HK25.6 cents)</b>	(HK89.0 cents)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b><u>(77,528)</u></b>	<b><u>(268,646)</u></b>
<b>OTHER COMPREHENSIVE LOSS</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>664</b>	5,021
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<b><u>(1,302)</u></b>	<b><u>(6,790)</u></b>
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b><u>(638)</u></b>	<b><u>(1,769)</u></b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b><u>(78,166)</u></b>	<b><u>(270,415)</u></b>
Attributable to:		
Equity holders of the Company	<b>(77,910)</b>	(270,162)
Non-controlling interests	<b><u>(256)</u></b>	<b><u>(253)</u></b>
	<b><u>(78,166)</u></b>	<b><u>(270,415)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>5,733</b>	2,700
Investment properties	9	<b>526,200</b>	526,000
Right-of-use assets		<b>4,442</b>	5,555
Intangible assets		<b>5,869</b>	7,481
Equity investments designated at fair value through other comprehensive income	10	<b>20,650</b>	23,450
Debt investments at fair value through other comprehensive income	10	<b>4,060</b>	2,563
Other assets		<b>7,255</b>	6,689
Goodwill		<b>44,895</b>	44,895
Long term loans receivable		<b>201</b>	2,196
Long term prepayment and deposits		<b>116</b>	437
		<hr/>	<hr/>
Total non-current assets		<b>619,421</b>	621,966
<b>CURRENT ASSETS</b>			
Inventories		<b>12,261</b>	13,100
Financial assets at fair value through profit or loss	11	<b>208,173</b>	261,006
Loans receivable		<b>137,649</b>	238,032
Trade receivables	12	<b>62,317</b>	197,612
Prepayments, other receivables and other assets		<b>29,550</b>	52,345
Derivative financial instruments		–	505
Tax recoverable		–	238
Cash held on behalf of clients		<b>452,486</b>	524,708
Cash and bank balances		<b>90,274</b>	87,400
		<hr/>	<hr/>
Total current assets		<b>992,710</b>	1,374,946

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

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>			
Client deposits		<b>450,658</b>	605,918
Trade payables	<i>13</i>	<b>49,676</b>	174,871
Other payables and accruals		<b>62,800</b>	37,992
Convertible bonds	<i>14</i>	<b>–</b>	57,960
Interest-bearing bank and other borrowings		<b>382,100</b>	370,720
Tax payable		<b>203</b>	16,434
		<hr/>	<hr/>
Total current liabilities		<b>945,437</b>	1,263,895
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>47,273</b>	111,051
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>666,694</b>	733,017
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank and other borrowings		<b>96,035</b>	135,037
Convertible bonds	<i>14</i>	<b>51,273</b>	–
Deposits received		<b>945</b>	1,373
Deferred tax liabilities		<b>31,203</b>	31,203
		<hr/>	<hr/>
Total non-current liabilities		<b>179,456</b>	167,613
		<hr/>	<hr/>
Net assets		<b>487,238</b>	565,404
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		<b>1,085,474</b>	1,085,474
Reserves		<b>(600,419)</b>	(522,509)
		<hr/>	<hr/>
		<b>485,055</b>	562,965
Non-controlling interests		<b>2,183</b>	2,439
		<hr/>	<hr/>
Total equity		<b>487,238</b>	565,404
		<hr/>	<hr/>

*Notes:*

## **1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, equity investments, debt investments, derivative financial instruments, financial assets at fair value through profit or loss and convertible bonds which have been measured at fair value. Disposal group held for sale is stated at the lower of its carrying amounts and fair values less cost to sell. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2021 and 2020 included in this announcement of annual results for the year ended 31 December 2021 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2021 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course.

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 auditor has reported on the financial statements of the Group for the year ended 31 December 2020. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

The Group has adopted the following new and revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39,  
HKFRS 7, HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform — Phase 2*

*COVID-19-Related Rent Concessions*

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies.

## 2. REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<i>Revenue from contracts with customers:</i>		
Commission and brokerage income	20,286	28,309
Rendering of services	985	7,587
Handling fee income	1,950	1,703
Media publications and financial public relation services ("Media Services")*	23,003	24,001
Sales of jewellery products	29,469	22,756
	<u>75,693</u>	<u>84,356</u>
<i>Revenue from other sources:</i>		
Profit/(loss) on the trading of securities, forex, bullion and future contracts, net	2,255	(28,445)
Interest income from loans and trade receivables	15,289	16,822
Interest income from forex and bullion contracts trading	–	428
Interest income from banks and financial institutions	2,006	1,691
Dividend income from listed investments	2,375	2,567
Gross rental income	9,243	12,070
	<u>31,168</u>	<u>5,133</u>
	<u><b>106,861</b></u>	<u><b>89,489</b></u>

\* Including advertising income, service income and circulation income

## Revenue from contracts with customers

### (i) Disaggregated revenue information

For the year ended 31 December 2021

Types of goods or services	Broking HK\$'000	Corporate advisory and underwriting HK\$'000	Asset and wealth management HK\$'000	Jewellery Business HK\$'000	Others HK\$'000	Media publications and financial public relation services business HK\$'000	Consolidated HK\$'000
Commission and brokerage income	19,653	-	633	-	-	-	20,286
Media publications and financial public relation services	-	-	-	-	-	23,003	23,003
Sales of jewellery products	-	-	-	29,469	-	-	29,469
Handling fee income	1,950	-	-	-	-	-	1,950
Other business income	-	-	-	-	985	-	985
	<u>21,603</u>	<u>-</u>	<u>633</u>	<u>29,469</u>	<u>985</u>	<u>23,003</u>	<u>75,693</u>
Total revenue from contracts with customers	<u>21,603</u>	<u>-</u>	<u>633</u>	<u>29,469</u>	<u>985</u>	<u>23,003</u>	<u>75,693</u>
<b>Geographical markets</b>							
Hong Kong	21,603	-	633	-	985	23,003	46,224
Mainland China	-	-	-	29,469	-	-	29,469
	<u>21,603</u>	<u>-</u>	<u>633</u>	<u>29,469</u>	<u>985</u>	<u>23,003</u>	<u>75,693</u>



**For the year ended 31 December 2020**

Types of goods or services	Broking HK\$'000	Corporate advisory and underwriting HK\$'000	Asset and wealth management HK\$'000	Jewellery Business HK\$'000	Others HK\$'000	Media publications and financial public relation services business	Consolidated HK\$'000
						HK\$'000	
Commission and brokerage income	26,866	–	1,443	–	–	–	28,309
Underwriting service income	–	5,550	–	–	–	–	5,550
Corporate advisory fee income	–	1,003	–	–	–	–	1,003
Media publications and financial public relation services	–	–	–	–	–	24,001	24,001
Sales of jewellery products	–	–	–	22,756	–	–	22,756
Handling fee income	1,703	–	–	–	–	–	1,703
Other business income	92	–	–	–	942	–	1,034
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue from contracts with customers	<u>28,661</u>	<u>6,553</u>	<u>1,443</u>	<u>22,756</u>	<u>942</u>	<u>24,001</u>	<u>84,356</u>
<b>Geographical markets</b>							
Hong Kong	28,661	6,553	1,443	–	942	24,001	61,600
Mainland China	<u>–</u>	<u>–</u>	<u>–</u>	<u>22,756</u>	<u>–</u>	<u>–</u>	<u>22,756</u>
	<u>28,661</u>	<u>6,553</u>	<u>1,443</u>	<u>22,756</u>	<u>942</u>	<u>24,001</u>	<u>84,356</u>

### 3. OPERATING SEGMENT INFORMATION

#### Year ended 31 December 2021

	Broking	Trading and investment	Margin financing and money lending	Corporate advisory and underwriting	Asset and wealth management	Property investment	Media publications and financial public relation services	Jeweller business	Other business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Revenue from external customers	21,614	2,306	17,282	2	2,957	9,243	23,003	29,469	985	106,861
<b>Segment results:</b>	(17,451)	(23,705)	(4,439)	(1,205)	(8,185)	4,470	(18,119)	(171)	(4,190)	(72,995)
<i>Reconciliation:</i>										
Corporate and other unallocated income, net										3,031
Finance costs (other than interest on lease liabilities)										(9,498)
Loss before tax										(79,462)

#### Year ended 31 December 2020

	Broking	Trading and investment	Margin financing and money lending	Corporate advisory and underwriting	Asset and wealth management	Property investment	Media publications and financial public relation services	Jeweller business	Other business	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue:</b>										
Revenue from external customers	29,093	(25,878)	18,509	6,553	1,443	12,070	24,001	22,756	942	89,489
<b>Segment results:</b>	(12,517)	(73,919)	(5,418)	(11,718)	(4,133)	(15,651)	(109,197)	(359)	(4,995)	(237,907)
<i>Reconciliation:</i>										
Corporate and other unallocated expenses, net										(4,771)
Finance costs (other than interest on lease liabilities)										(13,218)
Loss before tax										(255,896)

#### 4. OTHER OPERATING EXPENSES

	2021 HK\$'000	2020 HK\$'000
Cost of services provided	7,585	18,785
Cost of media publications and financial public relation services	20,616	48,625
Cost of inventories sold	21,054	16,216
Depreciation of property, plant and equipment	1,032	1,021
Depreciation of right-of-use assets	3,480	3,758
Amortisation of intangible assets	1,612	1,729
Auditor's remuneration	2,380	1,970
Lease payments not included in the measurement of lease liabilities	9,893	12,234
Employee benefit expense (including directors' remuneration):		
Wages, salaries and benefits in kind	45,680	44,129
Pension scheme contributions, net	1,868	1,865
	<u>47,548</u>	<u>45,994</u>
Interest expense for margin financing and money lending operations:		
Bank loans and overdrafts	5,900	12,512
Direct operating expenses arising from rental-earning investment properties	1,790	1,583
(Reversal of impairment)/impairment of other receivables	(3,380)	6,867
Communication expenses	9,739	9,965
Management and professional fees	4,518	9,779
Marketing and promotional fee	2,533	8,587
Others	19,658	26,599
	<u>155,958</u>	<u>226,224</u>

## 5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021 HK\$'000	2020 HK\$'000
Impairment of goodwill	–	38,599
Foreign exchange differences, net	(1,490)	(529)
Impairment of loans receivable, net	6,120	2,408
(Reversal of impairment)/impairment of trade receivables, net	(358)	1,952
Write-off of items of property, plant and equipment	14	5
Government subsidies*	–	(8,900)

\* Government subsidies mainly represent subsidies received in connection with the support from the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region, which were included in “other income” in the statement of profit or loss. There were no unfulfilled conditions or contingencies relating to these subsidies.

## 6. FINANCE COSTS

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

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans, overdrafts and other borrowings	9,498	13,218
Interest on lease liabilities	369	510
	<u>9,867</u>	<u>13,728</u>

## 7. INCOME TAX

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 year (2020: 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.

	2021 HK\$'000	2020 HK\$'000
Current — Hong Kong		
(Overprovision)/underprovision in prior years	(2,551)	12,047
Current — Elsewhere		
Charge for the year	617	563
Deferred	–	140
Total tax (credit)/charge for the year	<u>(1,934)</u>	<u>12,750</u>

During the preceding years, the Hong Kong Inland Revenue Department (“IRD”) initiated tax audit on certain group entities for the years of assessments from 2006/2007 to 2017/2018. Estimated assessments were issued to the entities and against which tax reserve certificates totalling HK\$18.7 million were purchased. During the year ended 31 December 2021, a compromised proposal was agreed with the IRD with tax liability of HK\$17.1 million and tax penalty of HK\$3 million was paid on the agreed additional assessable profits for the years of assessments from 2006/2007 to 2017/2018.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK\$77,234,000 (2020: HK\$268,229,000) and the weighted average number of 301,277,070 (2020: 301,277,070) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the impact of the convertible bonds and share options (2020: share options) outstanding during the year had an anti-dilutive effect on the basic loss per share amounts presented.

## 9. INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
Carrying amount as at 1 January	526,000	550,000
Net gain/(loss) from a fair value adjustment	<u>200</u>	<u>(24,000)</u>
Carrying amount at 31 December	<u><u>526,200</u></u>	<u><u>526,000</u></u>

The Group’s investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group’s investment properties were revalued on 31 December 2021 based on valuations performed by Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers, at HK\$526,200,000.

On 31 December 2021, the Group’s investment properties with a carrying value of HK\$526,200,000 (2020: HK\$526,000,000) were pledged to secure general banking facilities granted to the Group.

**10. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Equity investments designated at fair value through other comprehensive income</b>		
Listed equity investments in Hong Kong, at fair value	<u>20,650</u>	<u>23,450</u>
<b>Debt investments at fair value through other comprehensive income</b>		
Club debentures, at fair value	<u>4,060</u>	<u>2,563</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

**11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Listed equity investments, at market value	<u>208,173</u>	<u>261,006</u>

The financial assets at the end of the reporting period were classified as:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Held for trading	204,174	253,507
Designated upon initial recognition	<u>3,999</u>	<u>7,499</u>
	<u>208,173</u>	<u>261,006</u>

## 12. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
— Clearing houses, brokers and dealers	58,482	183,463
— Cash and custodian receivables	1,933	8,457
— Other trade receivables	8,615	13,340
	<u>69,030</u>	<u>205,260</u>
Impairment	(6,713)	(7,648)
	<u><u>62,317</u></u>	<u><u>197,612</u></u>

The Group's trade receivables arose from securities, forex, bullion and commodities dealings, insurance broking, the provision of corporate advisory and underwriting services, media services and jewellery business during the year.

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. The Group maintains strict control over its outstanding receivables and a credit control department has been established to monitor the potential credit risk. Overdue balances are reviewed regularly by senior management and are handled closely by the credit control department. The Group's trade receivables relate to a large number of diversified customers, and there is no significant concentration of credit risk. Overdue trade receivables bear interest by reference to the prime rate except that overdue receivables in respect of media services, corporate advisory services and jewellery business are non-interest-bearing.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current to 90 days	<u><u>62,317</u></u>	<u><u>197,612</u></u>

### 13. TRADE PAYABLES

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

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 to 3 months	<u>49,676</u>	<u>174,871</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.

### 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.

On 31 December 2021, Total Grace confirmed its intention to continue to hold the convertible bonds; and not to demand for conversion of the convertible bonds to ordinary shares of the Company nor demand for repayment of the amount due to it for not less than twelve months from 31 December 2021 and accordingly, the convertible bonds were classified under non-current liabilities as at 31 December 2021.



## MATERIAL DIFFERENCES BETWEEN 2021 AUDITED ANNUAL RESULTS AND 2021 UNAUDITED ANNUAL RESULTS ANNOUNCEMENT

Since the financial information contained in the 2021 Unaudited Annual Results Announcement was not audited by the Group's auditor as at the date of its publication and subsequent adjustments have been made to such information upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following differences between the financial information of the audited annual results of the Group for the Reporting Period disclosed in this announcement and that disclosed in the 2021 Unaudited Annual Results Announcement. Set forth below are details and reason for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules:

	Disclosure in this audited annual results announcement <i>HK\$'000</i>	Disclosure in 2021 Unaudited Annual Results Announcement <i>HK\$'000</i>	Difference <i>(note)</i> <i>HK\$'000</i>
<b>Financial items</b>			

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### Non-Current Assets

Debt investments at fair value through other comprehensive income	4,060	2,563	1,497
<b>Equity</b>			
Reserves	(600,419)	(601,916)	1,497

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(1,302)</u>	<u>(2,799)</u>	<u>1,497</u>
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*Note:* Being increase in fair value as at 31 December 2021.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL SUMMARY**

The consolidated revenue of the Group increased from HK\$89.5 million for the year ended 31 December (the “Year”) 2020 to HK\$106.9 million for the Year of 2021. The improvement in revenue of 19.4% was mainly attributable by the improvement of trading and investment sector with gain on disposal of investments of HK\$2.3 million recorded for year of 2021 versus net revenue loss of HK\$25.9 million for the Year 2020.

On the cost front, the Group continued to strictly apply disciplined cost controls during the Year 2021. Total other expenses, including direct cost of services, staff salaries and benefits, rental and other administrative and office expenses amounted to HK\$156.0 million (2020: HK\$226.2 million), a drop of 31.1%.

The Group’s consolidated loss for the year amounted to HK\$77.5 million (2020: HK\$268.6 million) of 2021, representing a year-on-year improvement of 71.1%.

### **BUSINESS REVIEW**

2021 was the second year of the world’s continued efforts battle against the COVID-19 pandemic. With the worldwide launch vaccination programme and re-opening of borders, economic activities around the world resumed and gradually recovered in the first half of 2021. The fast-spreading COVID-19 Omicron variant swept across the globe in the later half of 2021, again causing widespread economic and social disruptions and slow down of the global market recovery.

Despite the uncertainty of the business environment, our Group has continued to move forward with progressive improvement in its business units’ operating results and financial performance.

## **Broking**

The daily Hong Kong stock market turnover increased year-on-year by 29%, from HK\$129.5 billion in 2020 to HK\$166.7 billion in 2021, while funds raised in the IPO market decreased year-on-year by 18%, from HK\$400.1 billion in 2020 to HK\$328.8 billion in 2021. Given keen competition in Hong Kong brokerage business and aggressive pricing strategy from the competitors, the Group's brokerage commission income decreased by approximately 25.7% to HK\$21.6 million (2020: HK\$29.1 million). Operating loss increased correspondingly to HK\$17.5 million for the Year 2021 (2020: HK\$12.5 million). The Group launched digital marketing campaigns since early year 2021 with progress 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 and the overall decline in fund raised in Hong Kong IPO market, interest income generated was HK\$17.3 million for the Year 2021 (2020: HK\$18.5 million), representing a slight decline of approximately 6.6%. With effective cost controls, operating loss for this segment has been improved and amounted to HK\$4.4 million (2020: HK\$5.4 million).

## **Asset and Wealth Management**

This business segment recorded more than 100% increment in revenue of HK\$3.0 million for the Year 2021 (2020: HK\$1.4 million). With the aim of strengthening and further development of our wealth management services, the Group allocated more resources during the year, which in turn lead to an operating loss of HK\$8.2 million. Wealth management services include the provision of advisory services and products to high-net-worth client, such as bonds, unit trust funds, financial-structured products and insurance-related products. Revenue growth momentum picked up in the second half through the expansion of our wealth management team, although such has not been fully reflected in Year 2021. The Group will continue to allocate its resources for expanding its talent team, in order to build the assets under management of the Group, and turn around the performance of this segment in Year 2022.

## **Corporate Advisory and Underwriting**

Owing to closed borders and limited business travel, corporate advisory business also sluggish. Minimal revenue was recognised in this segment for the Year 2021 (2020: HK\$5.9 million). Immediate action was taken to streamline the operations and operating loss decreased substantially by approximately 89.7% to HK\$1.2 million when compared to HK\$11.7 million for the corresponding year of 2020.

## 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\$261.0 million as at 31 December 2020 to HK\$208.2 million as at 31 December 2021. The major investments holding and their fair value gains or losses are listed below:

Stock code	Name of security	Carrying amount as at 31 December 2021 HK\$'000	Percentage of shareholding interest	Fair value gain/(loss) during the year HK\$'000
00413	South China Holdings Company Limited	37,674	3.56%	(30,167)
00670	China Eastern Airlines Corporation Limited	40,589	0.27%	(5,797)
01097	i-CABLE Communications Limited	32,506	6.51%	3,250
01033	Sinopec Oilfield Service Corporation	29,913	0.85%	1,663
Others		67,491		7,781
		<u>208,173</u>		<u>(23,270)</u>

The Group has positioned the investment portfolio for medium to long term growth in traditional industries, the fair value loss resulting from marking investments to market was HK\$23.3 million for the Year 2021 (2020: HK\$42.3 million). Meanwhile, the Group recognised a net realised gain of HK\$2.3 million for the Year 2021 as compared with a loss of HK\$28.4 million for the corresponding period of 2020.

## Media publications and financial public relation services

The business environment for the media sector has similarly faced a challenging environment under the ongoing impacts of COVID-19. Inevitably this has caused a noted reduction in advertising spending across most sectors especially in first half of 2021. During this time, we have re-prioritised 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.

With the focused business strategies, total revenue for first half of Year 2021 amounted to HK\$9.3 million and saw a significant upsurge to HK\$13.7 million in the second half year 2021. Total revenue for the Year 2021 amounted to HK\$23.0 million (2020: HK\$24.0 million). On the cost side, with the implementation of internal cost restructuring over the past 2 years, the operating loss of the media segment was significant reduced from HK\$109.2 million for the Year of 2020 to HK\$18.1 million for Year 2021.

## **Property investment**

A revaluation gain of HK\$0.2 million was recorded for the Year 2021 as opposed to revaluation loss of HK\$24.0 million for the same period in 2020, while the fair value of the investment properties revalued at HK\$526.2 million as at 31 December 2021. The gross rental income for the Year 2021 decreased to HK\$9.2 million (2020: HK\$12.1 million) 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 2021, sales of jewellery products increased by approximately 29.5% to HK\$29.5 million for the Year 2021(2020: HK\$22.8 million). Operating loss remained marginal at around HK\$0.2 million (2020: HK\$0.4 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from various 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 borrowings and convertible bonds, less cash and bank balances. Capital represents total equity. The gearing ratio as at 31 December 2021 was approximately 47.4% (2020: 45.7%). The Group had a cash balance of HK\$90.3 million as at 31 December 2021, representing an increase of 3.3% 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 Year 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 dated 30 June 2020 and the circular to 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 were no unutilised proceeds as at 31 December 2021.

## **CHARGES ON ASSETS**

As at 31 December 2021, the Group’s investment properties, certain inventories and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

## **CONTINGENT LIABILITIES**

As at 31 December 2021, the Group had no material contingent liabilities.

## **EVENT AFTER THE REPORTING PERIOD**

There is no material event noted after the reporting year ended.

## **EMPLOYEES**

As at 31 December 2021, the total number of employees of the Group was 146 (2020: 137). Employee’s cost (including directors’ emoluments) amounted to approximately HK\$47.5 million for the year (2020: HK\$46.0 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 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**

With the emergence of Omicron variant and possible subsequent variants of the Coronavirus, it is expected that Year 2022 will be full of challenges and uncertainties. Apart from the pandemic, evolving global political and economic landscapes, geopolitical tensions of the Russia-Ukraine conflict, the US- China trade war, rising inflation and a necessity for higher interest rates, render the external financial and business environment more complex and uncertain.

### **Financial Services**

#### ***Brokerage***

For the Group's core business prospects, with continued fierce competition of market players that offer attractive incentives for account opening and customers' interests switching to alternative markets such as the US equity market, our 2021 margin financing and brokerage performance was hindered. The Group's year 2022 strategies for margin financing and brokerage revenue may include:

- (i) Exploring the US and global equity broking and margin finance customers to diversify our client equity trading appetite;
- (ii) Reinforcing marketing campaigns to expand our customer base in terms of border and a geographic reach to encompass younger generation; and
- (iii) Exploring further improvement on "SCTrade" apps and trading infrastructure for enhanced customer experience.

#### ***Wealth management***

The Group's wealth management team has expanded significant in the last quarter of Year 2021. A new brand, "SC Private" will be launched in the second quarter of Year 2022 as the Group positions itself to activate and serve the needs of the high net worth segment. Together with the broking business, the Group's financial services business will be further strengthened and diversified, in providing a broader breadth of services to existing clientele and new clientele, including but not limited to, equity stocks, unit trust funds, bonds, equity-linked products and other structured products, insurance brokerage, premium financing and other advisory services, to widen the Group's revenues sources.

## ***Media***

Media business continues to evolve from traditional print platform into a fully integrated print + digital + events platform, providing extensive marketing and branding offerings to our clients. We will continue to effectively invest in our core brands *Capital*, *JESSICA* and *Marie Claire*, with the aim to extend beyond the local market and community, to the Greater Bay Area and Greater China markets.

We shall continue to (i) proactively expand our client base through business development and cooperation opportunities, (ii) enhance our digital platforms and creative product offerings, (iii) build and grow our clientele and audience base, (iv) strengthen our corporate marketing efforts to maintain and grow solid and long term customer relationships, and (v) maximise value in review and reform of pricing policies.

We believe that the media business will continue to improve, subsequent to the stabilisation of the impact of COVID-19 variants in Hong Kong. The 2022 events and campaign pipeline includes, amongst others: “CAPITAL Outstanding Enterprise Awards”, “35th Anniversary of CEO x Entrepreneur”, “JESSICA Most Successful Women Award 2022”, “Marie Claire Prix d’Excellence de la Beaute Awards”. In line with an overall strategy to focus on investing in high-growth and technology-centric sectors, we will review our strategies critically from time to time. We now maintain a much lighter and fluid cost structure, allowing us to move forward with more flexibility and respond to market changes and needs in a timely manner.

Despite the challenges ahead, our experience accumulated in Hong Kong and China for more than 30 years, shall enable us to encounter and overcome them, to bring our shareholders noteworthy return over time. The Group will continue to make developments on the business front, including the strengthening of our senior management team and business transformations. We expect 2022 to continue to be volatile for both the financial and media markets. Nevertheless, we believe that in the long run we are poised for capturing new opportunities to improve our business, product and service suite.

## **FINAL DIVIDEND**

The Board resolved not to declare the payment of a final dividend for the Year (2020: Nil).



## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2021 except Mr. Ng Hung Sang, the chairman of the Board and an Executive Director of the Company, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric, both are Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 21 June 2021 as they had other business engagements, which deviated from code provisions E.1.2 and A.6.7 of the CG Code.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2021.

## **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 annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee in conjunction with the Company’s external auditor. The Audit Committee was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

## **REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Company ([www.sctrade.com](http://www.sctrade.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 annual report of the Company will be dispatched to the shareholders of the Company and available on the same 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, 11 April 2022

*As at the date of this announcement, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Ms. Ng Yuk Mui Jessica as executive directors; and (2) Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric as independent non-executive directors.*