



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023 (the “Period”) together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six Months ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3, 4	33,122	14,929
Other income		1,438	3,936
Fair value gain on investment properties		-	2,300
Fair value gain/(loss) on financial assets at fair value through profit or loss		215	(23,739)
Fair value gain/(loss) on convertible bonds		813	(91)
Impairment of loans and trade receivables, net		(3,276)	(1,343)
Other operating expenses		(66,570)	(63,381)
Loss from operating activities		(34,258)	(67,389)
Finance costs	6	(7,376)	(4,372)
Loss before tax from continuing operations	5	(41,634)	(71,761)
Income tax expenses	7	-	(16)
Loss for the period from continuing operations		(41,634)	(71,777)
DISCONTINUED OPERATION			
Net loss for the period from a discontinued operation	9	(4,004)	(598)
Loss for the period		(45,638)	(72,375)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

		Six Months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
Attributable to:			
Equity holders of the Company			
— For loss from continuing operations		(41,634)	(71,777)
— For loss from a discontinued operation		(2,641)	(405)
		<hr/>	<hr/>
		(44,275)	(72,182)
Non-controlling interests			
— For loss from a discontinued operation		(1,363)	(193)
		<hr/>	<hr/>
		(45,638)	(72,375)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share attributable to equity holders of the Company			
Basic and diluted	<i>10</i>		
— For loss for the period		HK(14.70) cents	HK(23.96) cents
— For loss from continuing operations		HK(13.82) cents	HK(23.83) cents
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
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
		<hr/>	<hr/>
Total non-current assets		650,903	565,281
CURRENT ASSETS			
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
		<hr/>	<hr/>
Total current assets		558,304	702,251
CURRENT LIABILITIES			
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
		<hr/>	<hr/>
Total current liabilities		645,061	777,286
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(86,757)	(75,035)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		564,146	490,246
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

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

	<u>Attributable to equity holders of the Company</u>					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
At 1 January 2023	1,085,474	127,883	(880,657)	332,700	1,752	334,452
Loss for the period	-	-	(44,275)	(44,275)	(1,363)	(45,638)
Other comprehensive loss for the period	-	(497)	-	(497)	(55)	(552)
Total comprehensive loss for the period	-	(497)	(44,275)	(44,772)	(1,418)	(46,190)
At 30 June 2023	1,085,474	127,386	(924,932)	287,928	334	288,262
At 1 January 2022	1,085,474	128,407	(728,826)	485,055	2,183	487,238
Loss for the period	-	-	(72,182)	(72,182)	(193)	(72,375)
Other comprehensive loss for the period	-	(6,190)	-	(6,190)	(50)	(6,240)
Total comprehensive loss for the period	-	(6,190)	(72,182)	(78,372)	(243)	(78,615)
At 30 June 2022	1,085,474	122,217	(801,008)	406,683	1,940	408,623

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Net cash flows generated from operating activities	28,772	217
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		
Dividend income received from listed investments	58	91
Acquisition of subsidiaries	38	–
Purchases of items of property, plant and equipment	(136)	(367)
(Increase)/decrease in other assets	(223)	1,443
Net cash flows (used in)/from investing activities	(263)	1,167
CASH FLOWS USED IN FINANCING ACTIVITIES		
Repayment of bank and other borrowings	(41,605)	(37,948)
Lease payments	(691)	(1,557)
Net cash flows used in financing activities	(42,296)	(39,505)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,787)	(38,121)
Cash and cash equivalents at beginning of the period	52,931	73,422
Effect of foreign exchange rate changes, net	(68)	(4,180)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	39,076	31,121
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances attributable to continuing operations	40,281	30,781
Cash and bank balances attributable to a discontinued operation	227	1,749
Total cash and bank balances	40,508	32,530
Bank overdrafts included in bank and other borrowings	(1,432)	(1,409)
	39,076	31,121

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.

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

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

* Including advertising income, service income and circulation income

4. REVENUE (Continued)

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>
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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>
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5. LOSS BEFORE TAX FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
The Group's loss before tax from continuing operations is arrived at after charging:		
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>(4,004)</u>	<u>(598)</u>
Loss for the period from a discontinued operation		
Attributable to:		
Equity holders of the Company	(2,641)	(405)
Non-controlling interests	(1,363)	(193)
	<u>(4,004)</u>	<u>(598)</u>
Loss for the period from a discontinued operation		
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>(694)</u>	<u>(858)</u>
Net cash outflow		

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

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

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

Location	Existing use
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:

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

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 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Current to 90 days	37,533	37,878
Over 90 days	2,674	2,023
	<u>40,207</u>	<u>39,901</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 30 June 2023 (Unaudited) HK\$'000	As at 31 December 2022 (Audited) HK\$'000
Within 1 to 3 months	35,070	47,237
Over 3 months	6,912	–
	<u>41,982</u>	<u>47,237</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:

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

19. SHARE CAPITAL

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

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 Significant observable inputs (Level 2) (Unaudited) HK\$'000		Significant unobservable inputs (Level 3) (Unaudited) HK\$'000	Total (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	<u>79,685</u>	-		-	<u>79,685</u>
	<u>79,685</u>	<u>3,720</u>		<u>-</u>	<u>83,405</u>
<i>Liabilities measured at fair value:</i>					
Convertible bonds	<u>-</u>	<u>-</u>		<u>139,027</u>	<u>139,027</u>

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

As at 31 December 2022

	Quoted prices in active markets (Level 1) (Audited) <i>HK\$'000</i>	Fair value measurement using Significant observable inputs (Level 2) (Audited) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
<i>Assets measured at fair value:</i>				
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 report.

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).

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

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the “SFO”)) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules were as follows:

(i) Long positions in ordinary shares of the Company

Name of Director	Capacity	Number of ordinary shares			Total interests	Approximate percentage of total interests to total issued ordinary shares (Note 4)
		Personal interests	Family interests	Corporate interests		
Mr. Ng Hung Sang (“Mr. Ng”)	Beneficial owner/ Interests of controlled corporations	11,609,264	–	77,328,343 (Note 1)	88,937,607	29.52%
Ms. Cheung Choi Ngor	Beneficial owner	13,598,311	–	–	13,598,311	4.51%
Mr. Ng Yuk Yeung Paul (“Mr. Paul Ng”)	Beneficial owner	12,198,000	–	–	12,198,000	4.05%
Hon. Raymond Arthur William Sears, K.C.	Interests of spouse	–	53,000	–	53,000	0.02%

(ii) Long positions in underlying shares of the Company

Name of Director	Capacity	Number of underlying shares			Total interests	Approximate percentage of total interests to total issued ordinary shares (Note 4)
		Personal interests	Family interests	Corporate interests		
Mr. Ng	Interests of controlled corporations	-	-	508,022,727 (Note 2)	508,022,727	168.62%
Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng")	Beneficial owner/ Interests of spouse	3,012,770	3,012,770	-	6,025,540 (Note 3)	2.00%
Mr. Paul Ng	Beneficial owner/ Interests of spouse	3,012,770	3,012,770	-	6,025,540 (Note 3)	2.00%

Notes:

1. The 77,328,343 shares of the Company held by Mr. Ng through controlled corporations included 23,526,030 shares held by Fung Shing Group Limited ("Fung Shing"), 44,623,680 shares held by Parkfield Holdings Limited ("Parkfield"), 1,999,872 shares held by Ronastar Investments Limited ("Ronastar") and 7,178,761 shares held by Uni-spark Investments Limited ("Uni-spark"). Fung Shing, Parkfield and Ronastar are directly wholly-owned by Mr. Ng. Uni-spark is indirect wholly-owned by Mr. Ng.
2. Comprising (i) principal amount of HK\$50,000,000 convertible bonds at the conversion price of HK\$0.22 per conversion share issued by the Company to Total Grace Investments Limited ("Total Grace"), a company wholly-owned by Mr. Ng on 30 June 2020 (the "CB 2020"); and (ii) principal amount of HK\$89,840,000 convertible bonds at the conversion price of HK\$0.32 per conversion share issued by the Company to Thousand China Investments Limited ("Thousand China"), a company indirect wholly-owned by South China Holdings Company Limited ("SCHC") of which Mr. Ng is the chairman of the board of directors, an executive director and a substantial shareholder of SCHC on 13 January 2023 (the "CB 2023").

Assuming (i) CB 2020 are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace, representing approximately 75.44% of the total number of issued shares as at 30 June 2023 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.

Assuming (i) CB 2023 are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 280,750,000 new shares will be allotted and issued to Thousand China, representing approximately 93.19% of the total number of issued shares as at 30 June 2023 and approximately 48.24% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.

3. The underlying shares held by Ms. Jessica Ng and Mr. Paul Ng and their respective spouses were the share options granted to them on 29 September 2022 under the share option scheme adopted by the Company on 9 August 2022 (the "Share Option Scheme"). For more details, please refer to the section headed "Share Option Scheme" below.
4. These percentages are calculated on the basis of 301,277,070 ordinary shares in issue as at 30 June 2023.

Save as disclosed above, none of the Directors and chief executives of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2023.

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

As at 30 June 2023, the interests and short positions of every person, other than a Director or Chief Executive of the Company, in the shares and underlying shares of the Company, being 5% or more of the Company's issued share capital, as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Long position in the ordinary shares and underlying shares

Name	Capacity	Beneficial interests	Family interests	Corporate interests	Total interests	Approximate percentage of total interests to total issued ordinary shares <i>(Note 6)</i>
Ms. Ng Lai King Pamela <i>(Note 1)</i>	Interests of spouse	–	596,960,334	–	596,960,334	198.14%
Parkfield Holdings Limited <i>(Note 2)</i>	Beneficial owner	44,623,680	–	–	44,623,680	14.81%
Fung Shing Group Limited <i>(Note 3)</i>	Beneficial owner	23,526,030	–	–	23,526,030	7.81%
Total Grace Investments Limited <i>(Note 4)</i>	Beneficial owner	227,272,727	–	–	227,272,727	75.44%
Thousand China Investments Limited <i>(Note 5)</i>	Beneficial owner	280,750,000	–	–	280,750,000	93.19%

Notes:

- Ms. Ng Lai King Pamela is the spouse of Mr. Ng. By virtue of the SFO, Ms. Ng Lai King Pamela is deemed to be interested in the 88,937,607 shares and 508,022,727 underlying shares which Mr. Ng is interested in.
- Parkfield Holdings Limited is a company wholly-owned by Mr. Ng.
- Fung Shing Group Limited is a company wholly-owned by Mr. Ng.
- Total Grace Investments Limited (“Total Grace”) is a company wholly-owned by Mr. Ng which holds the CB 2020. Assuming (i) CB 2020 are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 227,272,727 new shares will be allotted and issued to Total Grace, representing approximately 75.44% of the total number of issued shares as at 30 June 2023 and approximately 43.00% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- Thousand China Investments Limited (“Thousand China”) is a company indirect wholly-owned by South China Holdings Company Limited (“SCHC”) of which Mr. Ng is the chairman of the board of directors, an executive director and a substantial shareholder of SCHC holds the CB 2023. Assuming (i) CB 2023 are exercised in full; and (ii) there is no other change to the total number of issued shares, a total of 280,750,000 new shares will be allotted and issued to Thousand China, representing approximately 93.19% of the total number of issued shares as at 30 June 2023 and approximately 48.24% of the total number of issued shares as enlarged by the allotment and issue of the conversion shares.
- These percentages are calculated on the basis of 301,277,070 ordinary shares in issue as at 30 June 2023.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

EMPLOYEES’ SHARE AWARD SCHEME

The Company adopted a share award scheme on 10 June 2015 (the “Share Award Scheme”), which shall be valid and effective for a term of fifteen (15) years commencing on 10 June 2015. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to and to not exceeding HK\$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or GEM of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company’s resources for the purpose of purchase of shares as referred to in the above.

Details of the Share Award Scheme are as follows:

(1) Purpose of the Share Award Scheme

- (i) to recognize the contributions by certain employees and to give incentives thereto in order to retain them for the continual operation and development of the Group; and
- (ii) to attract suitable personnel for further development of the Group.

(2) Participants of Share Award Scheme

The Board may, from time to time, select any employee (including without limitation any connected person of the Company as defined under the Listing Rules) of the Group for participation in the Share Award Scheme (the “Selected Employee”).

(3) Total number of shares available for issue under the Share Award Scheme

Since the adoption of the Share Award Scheme and up to the date of this report, the Company has granted a total of 8,000 shares of South China Holdings Company Limited (“SCHC”), a company listed on the Stock Exchange to one Selected Employee.

As at the date of this report, 49,992,000 SCHC shares were available for being granted to the Selected Employees.

(4) Maximum entitlement of each Selected Employee under the Share Award Scheme

No maximum entitlement of each Selected Employee was set.

(5) Exercisable period under the Share Award Scheme

No exercise period for the awarded SCHC shares was set.

(6) Vesting period of the Share Award Scheme

The vesting period of the awarded SCHC shares shall be determined by the Board at the time of grant of such shares.

In respect of a Selected Employee who died or retired at his/her normal retirement date or earlier by agreement with the Company or any subsidiary of the Company at any time prior to a vesting date, all the awarded SCHC shares and all income derived from the awarded SCHC shares of the Selected Employee shall be deemed to be vested on the date immediately prior to his/her death or retirement at his/her normal retirement date or earlier by agreement with the Company or any subsidiary of the Company.

(7) Acceptance price

No amount is payable on acceptance of the grant of the awarded SCHC shares under the Share Award Scheme.

(8) Basis of determining the purchase price of awarded shares

The purchase price of each awarded SCHC share shall be determined by the Board at the time of grant of the awarded SCHC shares to each Selected Employee under the Share Award Scheme.

(9) Remaining life of the Share Award Scheme

Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of fifteen (15) years commencing on 10 June 2015 (the adoption date of the Share Award Scheme). The remaining life of the Share Award Scheme shall be approximately seven (7) years.

(10) Voting rights of unvested shares of the Share Award Scheme

The trustee shall not exercise the voting rights of the awarded SCHC shares as all such shares are held under the trust constituted by the trust deed dated 10 June 2015 entered into between the Company and the trustee.

Since the adoption of the Share Award Scheme and up to 30 June 2023, no share of the Company was held by the trustee nor awarded to any Selected Employee under the Share Award Scheme. The existing awarded SCHC shares are not subject to Chapter 17 of the Listing Rules as all such awarded shares are not the Company's shares.

SHARE OPTION SCHEME

The Company adopted a share option scheme at the extraordinary general meeting on 9 August 2022 (the "2022 Share Option Scheme"), which shall be valid and effective for a period of ten (10) years commencing on the date on which it became effective on 11 August 2022 for the purpose of providing incentive or rewards to eligible participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group.

Total number of shares available for issue under the 2022 Share Option Scheme

The maximum number of shares in respect of which share options may be granted under the 2022 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the date of approval of the 2022 Share Option Scheme, that is, a total of 30,127,707 shares. Options which lapsed in accordance with the terms of the 2022 Share Option Scheme or any other share option scheme of the Company under which such options are granted shall not be counted for the purpose of calculating whether the abovementioned scheme mandate limit has been exceeded.

The Company granted an aggregate of 18,076,620 share options under the 2022 Share Option Scheme on 29 September 2022, representing approximately 6.0% of the issued share capital of the Company.

The total number of share options that may be further granted under the 2022 Share Option Scheme during the Period is 12,051,087 shares, representing approximately 4.0% of the issued share capital of the Company.

The number of shares that may be issued in respect of options granted under the 2022 Share Option Scheme during the Period 2023 divided by weighted average number of shares in issue for the Period 2023 is 0%.

Maximum entitlement of each participant under the 2022 Share Option Scheme

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of shares issued, such further grant shall be separately approved by the shareholders of the Company in general meeting with the proposed grantee and his close associates (or his associates if the proposed grantee is a connected person) abstaining from voting.

Any grant of share option to a director, chief executive or substantial shareholder of the Company or any of their respective associates under the 2022 Share Option Scheme must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the option).

Where any grant of options to a substantial shareholder of the Company or an independent non-executive director or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person(s) in the 12-month period up to and including the date of such grant:

- (1) representing in aggregate over 0.1% of the shares in issue; and
- (2) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the independent shareholders in a general meeting.

The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

For the principal terms of the 2022 Share Option Scheme, please refer to 2022 Annual Report of the Company.

The movements in the number of share options under the 2022 Share Option Scheme during the Period 2023 are as follows:

Name or category of participant	Number of share options				Outstanding as at 30 June 2023	Date of grant of share options	Exercise period of share options	Number of ordinary shares issuable upon the exercise of share options (Note 1)	Exercise price per share (Note 2)
	Outstanding as at 1 January 2023	Granted during the Period 2023	Exercised during the Period 2023	Lapsed/cancelled during the Period 2023					
Directors and their associates									
Ms. Ng Yuk Mui Jessica	3,012,770	-	-	-	3,012,770	29/09/2022	30/09/2022 to 29/09/2032	3,012,770	HK\$0.30
Mr. Pun Chee Hang Kelvin (Note 3)	3,012,770	-	-	-	3,012,770	29/09/2022	30/09/2022 to 29/09/2032	3,012,770	HK\$0.30
Mr. Ng Yuk Yeung Paul	3,012,770	-	-	-	3,012,770	29/09/2022	30/09/2022 to 29/09/2032	3,012,770	HK\$0.30
Mrs. Ng Cheng Nga Yu Emmi (Note 4)	3,012,770	-	-	-	3,012,770	29/09/2022	30/09/2022 to 29/09/2032	3,012,770	HK\$0.30
Employees	6,025,540	-	-	-	6,025,540	29/09/2022	30/09/2022 to 29/09/2032	6,025,540	HK\$0.30
Total	<u>18,076,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,076,620</u>			<u>18,076,620</u>	

Notes:

1. Representing approximately 6.0% of total issued shares of the Company as at 30 June 2023.
2. The exercise price of the share option is subject to adjustment in case of rights or bonus issues, or other alteration in the capital structure of the Company.
3. Mr. Pun Chee Hang Kelvin is the spouse of Ms. Ng Yuk Mui Jessica.
4. Mrs. Ng Cheng Nga Yu Emmi is the spouse of Mr. Ng Yuk Yeung Paul.

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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1) of the Listing Rules, the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest annual report up to the date of this interim report is set out below:

Mr. Ng Yuk Yeung Paul has been appointed as independent non-executive director, a member of each of audit committee, nomination committee and remuneration committee of China Rongzhong Financial Holdings Company Limited (stock code: 03963), a company whose shares listed on the Main Board of the Stock Exchange with effect from 28 April 2023.

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 2023 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

In response to the Company's specific enquiry, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the Period 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 and the website of the Company at www.sctrade.com. The interim report of the Company for the Period 2023 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 report, 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