



SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2010

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	Six months ended 30 June	
		2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Revenue	2	60,150	60,922
Other income		284	156
Reversal of impairment/(impairment) of loans and trade receivable, net		(1,594)	1,611
Fair value gains on financial assets at fair value through profit or loss		14,371	30,950
Gain on disposal of available-for-sale financial assets		3,862	–
Fair value gain on an investment property		5,300	18,800
Other operating expenses		(62,058)	(53,765)
Profit from operating activities		20,315	58,674
Finance costs	5	(1,629)	(1,587)
Profit before tax	3	18,686	57,087
Income tax expense	6	(895)	(3,134)
Profit for the period		17,791	53,953
Attributable to:			
Owners of the Company		17,788	53,977
Non-controlling interests		3	(24)
		17,791	53,953
Earnings per share attributable to owners of the Company	8	HK0.35 cent	HK1.07 cent
Basic and diluted			

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2010	As at 31 December 2009
	<i>Notes</i>	Unaudited HK\$'000	Audited HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		143,734	146,032
Investment property		45,600	40,300
Intangible assets		836	836
Other assets		6,797	6,169
Loans receivable	9	–	255
Available-for-sale investments		31,529	50,470
Deferred tax assets		6	4
Total non-current assets		<u>228,502</u>	<u>244,066</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	10	265,980	214,756
Loans receivable	9	329,613	228,775
Trade receivables	11	114,522	36,654
Other receivables, prepayments and deposits		9,325	13,758
Tax recoverable		75	74
Pledged time deposits		5,750	5,750
Cash held on behalf of clients		404,713	547,690
Cash and cash equivalents		79,236	92,911
Total current assets		<u>1,209,214</u>	<u>1,140,368</u>
CURRENT LIABILITIES			
Client deposits		397,698	541,653
Trade payables	11	116,689	45,105
Tax payable		76	8
Other payables and accruals		9,380	8,726
Advances from a director/substantial shareholder	12	30,159	–
Interest-bearing bank and other borrowings		375,108	224,600
Total current liabilities		<u>929,110</u>	<u>820,092</u>
NET CURRENT ASSETS		<u>280,104</u>	<u>320,276</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		508,606	564,342
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		71,820	77,144
Deferred tax liabilities		9,076	8,201
Total non-current liabilities		<u>80,896</u>	<u>85,345</u>
Net assets		<u>427,710</u>	<u>478,997</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital		125,721	125,721
Reserves		293,520	322,180
Proposed dividend		7,543	30,173
Non-controlling interests		<u>426,784</u>	<u>478,074</u>
		926	923
Total equity		<u>427,710</u>	<u>478,997</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital Unaudited HK\$'000	Other Reserves Unaudited HK\$'000	Retained Profits/ (Accumulated losses) Unaudited HK\$'000	Proposed dividend HK\$'000	Attributable to owners of the Company Unaudited HK\$'000	Non- controlling Interest Unaudited HK\$'000	Total equity Unaudited HK\$'000
THE GROUP							
At 1 January 2010	<u>125,721</u>	<u>276,445</u>	<u>45,735</u>	<u>30,173</u>	<u>478,074</u>	<u>923</u>	<u>478,997</u>
Total comprehensive income for the period	-	(39,890)	17,788	-	(22,102)	3	(22,099)
Equity-settled share option arrangement	-	985	-	-	985	-	985
Dividend paid	-	-	-	(30,173)	(30,173)	-	(30,173)
Proposed 2010 interim dividend	-	-	(7,543)	7,543	-	-	-
Transfer to retained profits	-	(6,412)	6,412	-	-	-	-
At 30 June 2010	<u>125,721</u>	<u>231,128</u>	<u>62,392</u>	<u>7,543</u>	<u>426,784</u>	<u>926</u>	<u>427,710</u>
At 1 January 2009	<u>125,721</u>	<u>240,529</u>	<u>(41,089)</u>	<u>2,012</u>	<u>327,173</u>	<u>896</u>	<u>328,069</u>
Total comprehensive income for the period	-	-	53,977	-	53,977	(24)	53,953
Equity-settled share option arrangement	-	1,109	-	-	1,109	-	1,109
Dividend paid	-	-	-	(2,012)	(2,012)	-	(2,012)
At 30 June 2009	<u>125,721</u>	<u>241,638</u>	<u>12,888</u>	<u>-</u>	<u>380,247</u>	<u>872</u>	<u>381,119</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2010	2009
	<i>Notes</i>	Unaudited	Unaudited
		HK\$'000	<i>HK\$'000</i>
Profit for the period		17,791	53,953
Other comprehensive loss for the period	13	<u>(39,890)</u>	<u>–</u>
Total comprehensive income/(loss) for the period		<u>(22,099)</u>	<u>53,953</u>
Attributable to:			
Owners of the company		(22,102)	53,977
Non-controlling interests		<u>3</u>	<u>(24)</u>
		<u>(22,099)</u>	<u>53,953</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(164,258)	(118,579)
NET CASH INFLOW FROM INVESTING ACTIVITIES	5,115	1,362
NET CASH INFLOW FROM FINANCING ACTIVITIES	<u>150,972</u>	<u>158,130</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,171)	40,913
Cash and cash equivalents at beginning of the period	<u>86,220</u>	<u>107,383</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>78,049</u></u>	<u><u>148,296</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	84,986	148,308
Bank overdraft	<u>(6,937)</u>	<u>(12)</u>
	<u><u>78,049</u></u>	<u><u>148,296</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. Basis of preparation

The unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) and the Hong Kong Accounting Standards No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2010, as disclosed in the annual financial statements for the year ended 31 December 2009. The adoption of these new Hong Kong Financial Reporting Standards does not have significant impact on the Group’s results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2009 annual financial statements of the Group.

The unaudited interim financial statements have been reviewed by the Company’s audit committee.

2. Revenue

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$’000	HK\$’000
Commission and brokerage income	31,592	36,141
Profit on trading of securities, bullion and futures contracts, net	12,196	11,366
Dividend income from listed investments	560	1,530
Interest income from loans receivable	10,849	7,790
Interest income from bank and financial institutions	345	153
Rendering of services	3,348	2,682
Gross rental income	1,260	1,260
	<u>60,150</u>	<u>60,922</u>

3. Profit before tax

	Six months ended 30 June	
	2010	2009
	Unaudited	Unaudited
	HK\$’000	HK\$’000
The Group’s profit is arrived at after charging:		
Cost of services provided	13,472	13,654
Depreciation	2,689	1,015
Interest expenses for margin financing and money lending operations	1,472	685
	<u>17,633</u>	<u>15,354</u>

4. Revenue and segmental information

An analysis of the Group's revenue and contribution to profit/(loss) from operating activities by business segments for the six months ended 30 June 2010 and 2009 are as follows:

	2010	2009	2010	2009
	Revenue	Revenue	Profit/ (loss) from operating activities	Profit/ (loss) from operating activities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Broking	32,727	37,441	(8,485)	2,443
Trading and investment	12,893	12,896	23,736	39,700
Margin financing and money lending	11,102	8,228	7,682	4,683
Corporate advisory and underwriting	2,168	1,097	(2,904)	(3,417)
Property investment	1,260	1,260	4,168	19,065
Corporate and others	—	—	(3,882)	(3,800)
Consolidated	<u>60,150</u>	<u>60,922</u>	<u>20,315</u>	<u>58,674</u>

Over 90% of the Group's revenue and contribution to profit/(loss) from operating activities were derived from operations in Hong Kong.

5. Finance Costs

Finance costs represent interest on a mortgage loan and finance lease secured by the Group's investment property and property, plant and equipment.

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

7. Interim Dividend

The Board resolved to declare the payment of an interim dividend of HK0.15 cents per ordinary share, totalling HK\$7,543,252 for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil) to the shareholders whose name appear on the register of members of the Company on 8 October 2010.

8. Earnings per share

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$17,788,000 (2009: HK\$53,977,000) and the weighted average number of 5,028,834,500 (2009: 5,028,834,500) ordinary shares in issue during the period.

The Company's share options have no dilution effect for the six months ended 30 June 2010 and 2009 because the exercise price of the Company's share options was higher than the average market price of shares for the periods.

9. Loans receivable

The maturity profile of loans receivable at the balance sheet date is analysed into the remaining periods to their contractual maturity dates as follows:

	30 June 2010 Unaudited HK\$'000	31 December 2009 Audited HK\$'000
Repayable:		
On demand	329,283	226,450
Within 3 months	170	1,968
3 months to 1 year	160	357
1 year to 5 years	–	255
	<u>329,613</u>	<u>229,030</u>
Portion classified as current assets	<u>(329,613)</u>	<u>(228,775)</u>
	<u>–</u>	<u>255</u>
Portion classified as non-current assets	<u>–</u>	<u>255</u>

10. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented listed equity securities in Hong Kong at market value.

11. Trade receivables and payables

The Group allows a credit period up to the respective settlement dates of securities, bullion and commodities transactions or a credit period mutually agreed between the contracting parties.

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

12. Advances from a director/substantial shareholder

The advances from a director/substantial shareholder are unsecured, interest-bearing at Hong Kong prime lending rate and have no fixed terms of repayment.

13. Other comprehensive loss for the period

	Six months ended 30 June 2010 Unaudited HK\$'000	2009 Unaudited HK\$'000
Available-for-sale financial assets:		
Changes in fair value recognized during the period	(36,324)	–
Reclassification adjustment for amount transferred to profit or loss on disposal	(3,862)	–
	<u>(40,186)</u>	<u>–</u>
Exchange differences on translation of foreign operations	296	–
	<u>(39,890)</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hong Kong's economy expanded steadily during the first half of 2010 after the economic recovery which took shape in the second half of 2009. However, asset price performance was still volatile. Hang Seng Index fell by 8% from 21,872 at the end of 2009 to 20,128 at the end of June 2010. The Group recorded a profit of HK\$17.8 million for the first half of 2010 as compared with a profit of HK\$54.0 million for the same period last year.

Broking, trading and investment

Dragged by the keen competition in the broking business, revenue recorded decreased to HK\$32.7 million for the first half of 2010 from HK\$37.4 million for the same period in 2009 notwithstanding the 9% increase in average daily market turnover. Average daily market turnover for the first half of 2010 was HK\$63.8 billion as compared with HK\$58.3 billion for the same period in 2009.

Although Hang Seng index fell by 8% in the six months ended 30 June 2010, trading and investment managed to return a profit of HK\$23.7 million which included HK\$14.4 million of unrealized holding gain as compared with a gain of HK\$31.0 million over the same period last year. The Group had financial assets at fair value through profit or loss of HK\$266.0 million as at the end of the period.

Margin financing and money lending

Our loan and advances portfolio for margin financing and personal loans increased by 44% in the first half of 2010 to HK\$329.6 million as at 30 June 2010. Revenue recorded for the period was HK\$11.1 million as compared with HK\$8.2 million for the same period last year. Contribution from this segment increased from HK\$4.7 million to HK\$7.7 million for the six months ended 30 June 2010.

Corporate advisory and underwriting

Revenue from our corporate advisory and underwriting business increased slightly from HK\$1.1 million to HK\$2.2 million and operating loss reduced to HK\$2.9 million for the first half of 2010.

Property investment and others

Gross rental income from the investment property at Lippo Centre remained at HK\$1.3 million for the first half of 2010. Reflecting a strong property market in the first half of 2010, a revaluation gain of HK\$4.4 million after deferred tax provision was reported.

Liquidity and Financial Resources

The Group has obtained bank credit facilities that are all renewable on a yearly basis. The facilities for the share margin finance operations are secured by the securities of our margin clients and the Group. The facilities for the money lending operations are clean loans. All the outstanding credit facilities are guaranteed by the Company.

As at 30 June 2010, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$71.8 million (31 December 2009: HK\$77.1 million), which, when related to the Group's equity of HK\$427.7 million (31 December 2009: HK\$479.0 million), represent a gearing ratio of approximately 16.8% (31 December 2009: 16.1%).

The Group has cash balance of HK\$79.2 million at the end of the current period, a decrease of 15% from the end of last year. The Group has a very strong working capital base to meet its operational needs.

Exposure to Fluctuations in Exchange Rates and Related Hedges

As at 30 June 2010, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

Capital Structure

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

Investments

Financial assets at fair value through profit or loss increased by HK\$51.2 million. Increase in fair value of the financial assets at fair value through profit or loss and gain on disposal of financial assets at fair value through profit or loss for the six months ended 30 June 2010 were HK\$14.4 million and HK\$12.2 million respectively.

Material Acquisitions and Disposals

The Group had no material acquisitions and disposals of subsidiaries and associates for the six months ended 30 June 2010.

Pledges of Assets, Contingent Liabilities and Commitments

There was no material change in the Group's pledges of assets, contingent liabilities and commitments as compared to the most recent published annual report.

Employees

As at 30 June 2010, the total number of employees of the Group was approximately 162 (30 June 2009: approximately 145). Employees' cost (including directors' emoluments) amounted to approximately HK\$23.2 million for the six months ended 30 June 2010 (six months ended 30 June 2009: approximately HK\$18.6 million).

Apart from salary payment, other staff benefits include medical subsidies, life insurance, provident fund and subsidized external training. Continuous Professional Training will continue to be arranged for those staff 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. The Company adopted an employee share option scheme on 31 May 2002, which became effective on 28 June 2002.

Prospects

With the economic prospect in Asia looking better than that of Europe and the Americas, we are committed to continue to provide full-fledged and innovative financial services to our customers. In order to capture market opportunities in the ever fluctuating financial markets, we will focus our attention and expansion in four major areas, on top of our traditional day-to-day bread and butter brokerage business.

Aiming at producing a recurrent and stable income stream for the Group, we will expand our asset management business. With wealth built-up in Asia increasing at a very rapid pace, especially in Mainland China, our aim will be to attract money from the Greater China region to invest in our asset management product offerings such as fund of funds, private equity fund, index fund, and total return fund. This fee income from assets under management will not only smooth out our earnings volatility, but also improve our profitability.

The second area of focus will be to build up our Corporate Finance business with the major focus on corporate advisory services and capital market and fund raising activities. Once again, our primary focus will be deal making in Greater China as the economic growth prospect for this region is one of the highest in the world. With the Chinese economy becoming the second largest economy in the world, surpassing Japan in the latest quarter, we are confident that we can source and execute deals and earn consistent and considerable fee income from this region.

The third area of focus will be to leverage on our already superior internet trading capabilities and increase our market penetration and share. We will be launching a marketing campaign in the third quarter of this year to promote our internet trading platform. We hope to attract new customers from our competitors in the banking industry with our marketing campaign and provide our customers with first class services and execution capabilities. We hope to increase our market penetration and share in internet trading by at least ten fold, if not more.

Financial leasing will be our fourth area of expansion focus. Armed with a financial leasing license and with a leasing company already set up in Nanjing, we are about to jump start our financial leasing business in China. Leasing business in China is only at the onset of the industry, with volume accounting for only a very small percentage of the total bank loan market. We believe there is great potential for leasing business to take off in China, and therefore we will focus on expanding our financial leasing business. We have high hopes for this business to contribute significantly to our bottom line in the next few years.

With strong commitment and resources from management to expand our business focus, we believe we are in a very good position to reap the full benefits of all these new business ventures with higher profitability for the rest of the year and hopefully years to come as well.

MANAGEMENT OF RISKS

The Group set out in its 2009 annual report and financial statements the principal risks and uncertainties that could impact its performance; these remain unchanged since the annual report was published. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Group reviews and monitors each of these risks closely at all time.

INTERIM DIVIDEND

The Board resolved to declare the payment of an interim dividend of HK0.15 cents per ordinary share, totalling HK\$7,543,252 for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil) to the shareholders whose name appear on the register of members of the Company on 8 October 2010. The interim dividend will be paid on or about 15 October 2010.

CLOSURE OF REGISTER FOR ENTITLEMENT TO INTERIM DIVIDEND

The register of members of the Company will be closed from 6 October 2010 to 8 October 2010, both days inclusive, during which period no share transfers will be registered. To qualify for the interim dividend, all transfers accompanied by the relevant share certificates of the Company, must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 5 October 2010.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2010, 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 ("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, were as follows:

(a) The Company

(i) Long positions in shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner Interests of spouse Interest of controlled corporations	185,554,400 233,000,000 2,558,758,972 (Note a)	2,977,313,372	59.20%
Richard Howard Gorges ("Mr. Gorges")	Beneficial owner	12,174,000	12,174,000	0.24%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	10,000,000	10,000,000	0.20%
Raymond Arthur William Sears	Interest of spouse	200,000	200,000	0.00%

(ii) Long positions in underlying shares

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	10,000,000 (note b)	0.20%
Ms. Cheung	Beneficial owner	10,000,000 (note b)	0.20%
Cheung Wai Kwok, Gary ("Mr. Cheung")	Beneficial owner	50,000,000 (note b)	0.99%
Ng Yuk Yeung, Paul ("Mr. Paul Ng")	Beneficial owner	16,666,666 (note b)	0.33%

(b) **Associated corporations**

Long positions in shares

South China Financial Credits Limited (“SCFC”) (Note c)

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Paul Ng	Beneficial owner	250,000	0.59%

Notes:

- (a) The 2,558,758,972 shares of the Company held by Mr. Ng through controlled corporations referred to above include 474,606,720 shares held by Bannock Investment Limited (“Bannock”), 501,292,800 shares held by Earntrade Investments Limited (“Earntrade”), 792,100,504 shares held by Fung Shing Group Limited (“Fung Shing”), 743,728,000 shares held by Parkfield Holdings Limited (“Parkfield”), 33,331,200 shares held by Ronastar Investments Limited (“Ronastar”) and 13,699,748 shares held by Tek Lee Finance and Investment Corporation Limited (“Tek Lee”). Fung Shing, Parkfield and Ronastar are wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, Tek Lee is an indirect subsidiary of South China Holdings Limited, which is controlled by Mr. Ng as to 73.72%.
- (b) Please refer to details set out in section headed “Share Option Scheme”.
- (c) SCFC is a 98.62% owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to 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.

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

As at 30 June 2010, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

Long position

Name of shareholder	Capacity	Number of ordinary shares	Approximate Percentage of shareholding
Earntrade	Beneficial owner and interest of controlled corporation	975,899,520 (Note a)	19.41%
Bannock	Beneficial owner	474,606,720 (Note a)	9.44%
Parkfield	Beneficial owner	743,728,000	14.79%
Fung Shing	Beneficial owner	792,100,504	15.75%
Ng Lai King, Pamela (“Mrs. Ng”)	Beneficial owner and interest of spouse	2,977,313,372 (Note b)	59.20%

Note:

- (a) Bannock is a wholly-owned subsidiary of Earntrade. The 975,899,520 shares in the Company held by Earntrade include 474,606,720 shares held by Bannock directly.
- (b) Mrs. Ng is the beneficial owner of 233,000,000 shares and is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Mrs. Ng is deemed to be interested in the 185,554,400 shares and 2,558,758,972 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation” above.

Save as disclosed above, as at 30 June 2010, no person, other than the Directors or chief executives whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation”, 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.

SHARE OPTION SCHEME

The Company’s existing share option scheme (“Scheme”) was adopted on 31 May 2002 and became effective on 28 June 2002. Particulars and movements of the outstanding share options granted under the Scheme during the six months ended 30 June 2010 were as follows:

Name or category of participant	Number of share options					Reclassified (Note 1)	Outstanding as at 30 June 2010	Date of grant of share options (DD/MM/YYYY) (Note 2)	Exercise period of share options	Exercise price per share HK\$ (Note 3)
	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
Directors										
Cheung Choi Ngor	10,000,000	-	-	(10,000,000)	-	-	-	16/03/2006	16/03/2008 – 15/03/2010	0.128
	10,000,000	-	-	-	-	-	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128
Richard Howard Gorges	10,000,000	-	-	(10,000,000)	-	-	-	16/03/2006	16/03/2008 – 15/03/2010	0.128
	10,000,000	-	-	-	-	-	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128
Cheung Wai Kwok, Gary	16,666,667	-	-	-	-	-	16,666,667	26/06/2009	26/06/2010 – 25/06/2012	0.128
	16,666,667	-	-	-	-	-	16,666,667	26/06/2009	26/06/2011 – 25/06/2013	0.128
	16,666,666	-	-	-	-	-	16,666,666	26/06/2009	26/06/2012 – 25/06/2014	0.128
Ng Yuk Yeung, Paul	10,000,000	-	-	(10,000,000)	-	-	-	16/03/2006	16/03/2008 – 15/03/2010	0.128
	10,000,000	-	-	-	-	-	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128
	6,666,667	-	-	(6,666,667)	-	-	-	26/04/2006	26/04/2008 – 25/04/2010	0.128
	6,666,666	-	-	-	-	-	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128
Sub-total	123,333,333	-	-	(36,666,667)	-	-	86,666,666			

Name or category of participant	Number of share options						Outstanding as at 30 June 2010	Date of grant of share options (DD/MM/YYYY) (Note 2)	Exercise period of share options	Exercise price per share HK\$ (Note 3)
	Outstanding as at 1 January 2010	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Reclassified (Note 1)				
Employees	20,166,662	-	-	(20,166,662)	-	-	-	12/04/2007	12/04/2008 – 11/04/2010	0.161
In aggregate	20,166,662	-	-	(1,000,000)	-	-	19,166,662	12/04/2007	12/04/2009 – 11/04/2011	0.161
	20,166,676	-	-	(1,000,000)	-	-	19,166,676	12/04/2007	12/04/2010 – 11/04/2012	0.161
	1,000,000	-	-	(1,000,000)	-	-	-	17/04/2007	17/04/2008 – 16/04/2010	0.161
	1,000,000	-	-	-	-	-	1,000,000	17/04/2007	17/04/2009 – 16/04/2011	0.161
	1,000,000	-	-	-	-	-	1,000,000	17/04/2007	17/04/2010 – 16/04/2012	0.161
	1,333,334	-	-	(1,333,334)	-	-	-	23/04/2007	23/04/2008 – 22/04/2010	0.161
	1,333,334	-	-	-	-	(500,000)	833,334	23/04/2007	23/04/2009 – 22/04/2011	0.161
	1,333,332	-	-	-	-	(500,000)	833,332	23/04/2007	23/04/2010 – 22/04/2012	0.161
	4,333,333	-	-	(1,333,333)	-	(3,000,000)	-	10/07/2007	10/07/2008 – 09/07/2010	0.172
	4,333,333	-	-	(1,333,333)	-	(3,000,000)	-	10/07/2007	10/07/2009 – 09/07/2011	0.172
	4,333,334	-	-	(1,333,334)	-	(3,000,000)	-	10/07/2007	10/07/2010 – 09/07/2012	0.172
	16,666,667	-	-	-	-	(16,666,667)	-	26/06/2009	26/06/2010 – 25/06/2012	0.128
	16,666,667	-	-	-	-	(16,666,667)	-	26/06/2009	26/06/2011 – 25/06/2013	0.128
	16,666,666	-	-	-	-	(16,666,666)	-	26/06/2009	26/06/2012 – 25/06/2014	0.128
Sub-total	<u>130,500,000</u>	<u>-</u>	<u>-</u>	<u>(28,499,996)</u>	<u>-</u>	<u>(60,000,000)</u>	<u>42,000,004</u>			
Others	23,000,000	-	-	(23,000,000)	-	-	-	16/03/2006	16/03/2008 – 15/03/2010	0.128
In aggregate	23,000,000	-	-	-	-	-	23,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128
	6,666,667	-	-	(6,666,667)	-	-	-	26/04/2006	26/04/2008 – 25/04/2010	0.128
	6,666,666	-	-	-	-	-	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128
	2,000,000	-	-	(2,000,000)	-	-	-	12/04/2007	12/04/2008 – 11/04/2010	0.161
	2,000,000	-	-	-	-	-	2,000,000	12/04/2007	12/04/2009 – 11/04/2011	0.161
	2,000,000	-	-	-	-	-	2,000,000	12/04/2007	12/04/2010 – 11/04/2012	0.161
	1,500,000	-	-	(500,000)	-	3,000,000	4,000,000	10/07/2007	10/07/2008 – 09/07/2010	0.172
	1,500,000	-	-	(500,000)	-	3,000,000	4,000,000	10/07/2007	10/07/2009 – 09/07/2011	0.172
	1,500,000	-	-	(500,000)	-	3,000,000	4,000,000	10/07/2007	10/07/2010 – 09/07/2012	0.172
	-	-	-	-	-	500,000	500,000	23/04/2007	23/04/2009 – 22/04/2011	0.161
	-	-	-	-	-	500,000	500,000	23/04/2007	23/04/2010 – 22/04/2012	0.161
	2,000,000	-	-	-	-	-	2,000,000	05/08/2009	05/08/2010 – 04/08/2012	0.128
	2,000,000	-	-	-	-	-	2,000,000	05/08/2009	05/08/2011 – 04/08/2013	0.128
	2,000,000	-	-	-	-	-	2,000,000	05/08/2009	05/08/2012 – 04/08/2014	0.128
	-	-	-	-	-	16,666,667	16,666,667	26/06/2009	26/06/2010 – 25/06/2012	0.128
	-	-	-	-	-	16,666,667	16,666,667	26/06/2009	26/06/2011 – 25/06/2013	0.128
	-	-	-	-	-	16,666,666	16,666,666	26/06/2009	26/06/2012 – 25/06/2014	0.128
Sub-total	<u>75,833,333</u>	<u>-</u>	<u>-</u>	<u>(33,166,667)</u>	<u>-</u>	<u>60,000,000</u>	<u>102,666,666</u>			
Total	<u>329,666,666</u>	<u>-</u>	<u>-</u>	<u>(98,333,330)</u>	<u>-</u>	<u>-</u>	<u>231,333,336</u>			

Notes:

- (1) Due to internal re-organisation, certain employees holding options under the Scheme had been reclassified. Consequently, 60,000,000 options were re-classified from “Employees” to “Others”.
- (2) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 36th month	33 $\frac{1}{3}$ %
25th – 48th month	33 $\frac{1}{3}$ %
37th – 60th month	33 $\frac{1}{3}$ %

- (3) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

The unexercised share options of each exercise period shall lapse at the end of the respective exercise period.

The Company recognized a share option expense of HK\$985,000 (2009: HK\$1,109,000) during the six months ended 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (“the CG Code”) contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2010 with exception to code provision E1.2 that the Chairman of the Board had not attended the annual general meeting of the Company.

According to code provision E1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 May 2010. There were Executive Directors of the Company attending the annual general meeting in the absence of the Chairman to answer questions on the Group’s businesses at the meeting. The Directors believe that this was an exceptional incident and the Company will ensure future compliance with code provision E1.2.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the period.

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with the Listing Rules. The audit committee comprises three independent non-executive directors, namely Mr. Tung Woon Cheung, Eric (Chairman of the audit committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin, Elizabeth.

The Group’s unaudited results for the six months ended 30 June 2010 have been reviewed by the audit committee.

By Order of the Board
South China Financial Holdings Limited
Ng Hung Sang
Chairman

Hong Kong, 24 August 2010

As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Cheung Wai Kwok, Gary and Mr. Ng Yuk Yeung, Paul 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.