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 2018

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 2018 (the "Period") together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3, 5*	**66,988**	88,706
Fair value gain on investment properties		**40,000**	–
Impairment of loans and trade receivables, net		**(1,433)**	(439)
Fair value loss on financial assets at fair value through profit or loss		**(98,418)**	(10,019)
Fair value gain on derivative financial instruments		**56**	28,963
Other income		**2,069**	1,210
Other operating expenses		**(112,146)**	(106,003)
Profit/(loss) from operating activities		**(102,884)**	2,418
Finance costs	*6*	**(8,120)**	(4,993)
Loss before tax	*4*	**(111,004)**	(2,575)
Income tax expense	*7*	**(550)**	(388)
Loss for the period attributable to equity holders of the Company		**(111,554)**	(2,963)
Loss per share attributable to equity holders of the Company	*9*		
Basic and diluted		**(HK0.74 cents)**	(HK0.02 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2018 (Unaudited) *HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,456**	3,132
Investment properties	*10*	**520,000**	480,000
Intangible assets		**4,024**	4,242
Goodwill	*15*	**97,714**	13,714
Available-for-sale investments	*17*	**–**	42,135
Financial assets at fair value through other comprehensive income	*17*	**39,615**	–
Other assets		**14,680**	17,675
Investments in associates		**–**	–
Long terms loans receivable	*12*	**15,469**	9,981
Long term prepayment and deposits		**1,496**	1,588
Total non-current assets		**696,454**	572,467
CURRENT ASSETS			
Financial assets at fair value through profit or loss	*11*	**550,827**	625,183
Loans receivable	*12*	**313,203**	378,195
Trade receivables	*13*	**232,774**	147,293
Other receivables, prepayments and deposits		**49,583**	47,638
Derivative financial instruments	*17*	**448**	615
Tax recoverable		**227**	227
Pledged time deposits		**–**	500
Cash held on behalf of clients		**677,115**	597,368
Cash and bank balances		**151,133**	241,298
Total current assets		**1,975,310**	2,038,317
CURRENT LIABILITIES			
Client deposits		**847,525**	719,728
Trade payables	*13*	**15,361**	53,823
Other payables and accruals		**25,093**	23,853
Derivative financial instruments	*17*	**83**	289
Interest-bearing bank borrowings		**530,199**	430,620
Tax payable		**2,916**	2,820
Total current liabilities		**1,421,177**	1,231,133
NET CURRENT ASSETS		**554,133**	807,184
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,250,587**	1,379,651

	Notes	**As at 30 June 2018 (Unaudited) *HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**167,378**	181,057
Deposits received and other payables		**1,972**	1,260
Deferred tax liabilities		**30,859**	30,638
Total non-current liabilities		**200,209**	212,955
Net assets		**1,050,378**	1,166,696
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*14*	**1,085,474**	1,085,474
Reserves		**(35,096)**	81,222
Total equity		**1,050,378**	1,166,696

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) *HK$'000*	Other reserves (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Total equity (Unaudited) *HK$'000*
At 1 January 2018	**1,085,474**	**148,313**	**(67,091)**	**1,166,696**
First adoption of HKFRS 9 *(note 2)*	**–**	**–**	**(1,313)**	**(1,313)**
Adjusted balance at 1 January 2018	**1,085,474**	**148,313**	**(68,404)**	**1,165,383**
Loss for the period	**–**	**–**	**(111,554)**	**(111,554)**
Other comprehensive loss for the period	**–**	**(3,608)**	**–**	**(3,608)**
Total comprehensive loss for the period	**–**	**(3,608)**	**(111,554)**	**(115,162)**
Equity-settled share option arrangements	**–**	**157**	**–**	**157**
Transfer of share options reserve upon the lapse of share options	**–**	**(859)**	**859**	**–**
At 30 June 2018	**1,085,474**	**144,003**	**(179,099)**	**1,050,378**
At 1 January 2017	1,086,680	127,839	(120,059)	1,094,460
Loss for the period	–	–	(2,963)	(2,963)
Other comprehensive income for the period	–	11,038	–	11,038
Total comprehensive income for the period	–	11,038	(2,963)	8,075
Shares repurchased *(note 14)*	(1,206)	–	–	(1,206)
Equity-settled share option arrangements	–	395	–	395
Transfer of share options reserve upon the forfeiture of share options	–	(430)	430	–
At 30 June 2017	1,085,474	138,842	(122,592)	1,101,724

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Loss for the period		**(111,554)**	(2,963)
Other comprehensive income/(loss) for the period	*16*	**(3,608)**	11,038
Total comprehensive income/(loss) for the period attributable to equity holders of the Company		**(115,162)**	8,075

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
Net cash flows used in operating activities		**(111,806)**	(71,360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from listed investments		**6,648**	926
Purchases of items of property, plant and equipment		**(617)**	(611)
Acquisition of subsidiaries	*15*	**(46,174)**	(22,008)
Decrease/(increase) in other assets		**2,995**	(1,939)
Net cash flows used in investing activities		**(37,148)**	(23,632)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**516,225**	262,000
Repayment of bank loans		**(474,101)**	(306,540)
Repurchases of shares		**–**	(1,206)
Net cash flows from/(used in) financing activities		**42,124**	(45,746)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(106,830)**	(140,738)
Cash and cash equivalents at beginning of the period		**168,659**	297,486
Effect of foreign exchange rate changes, net		**(936)**	2,102
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**60,893**	158,850
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**151,133**	218,370
Pledged time deposits with original maturity of less than three months when acquired		**–**	500
Bank overdrafts		**(90,240)**	(60,020)
		60,893	158,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

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 on the Stock Exchange, including compliance with Hong Kong Accounting Standard (the "HKAS") No. 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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 2017 annual financial statements of the Group.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new standards and amendments to Hong Kong Financial Reporting Standards (the "HKFRSs") and HKAS effective as of 1 January 2018.

Amendments to HKAS 2	*Classification and Measurement of Share-based Payment transactions*
Amendments to HKAS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these interim financial statements.

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 prospectively, with the initial application date of 1 January 2018. The Group did not restate comparative information, which continues to be reported under HKAS 39, and recognized the transition adjustments against the opening balance of equity at 1 January 2018. The effects of adopting HKFRS 9 are summarized as follows:

(a) Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortized cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI criterion").

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments is solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of HKFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under HKAS 39. The following is the change in the classification of the Group's financial assets:

Loans receivable, trade receivables, and other financial assets (i.e., other assets, other receivables, prepayments and deposits, pledged time deposits, cash held on behalf of clients and cash and bank balances) classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

Listed equity and debt investments classified as available-for-sale investments as at 31 December 2017 are classified and measured as financial assets at fair value through other comprehensive income beginning 1 January 2018. The Group elected to classify irrevocably these equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

As a result of the change in classification of the Group's listed equity and debt investments, the available-for-sale investment revaluation reserve of HK$22,524,000 related to those investments that were previously presented under accumulated other comprehensive income, was reclassified to fair value reserve of financial assets at fair value through other comprehensive income.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and margin loans receivables. Furthermore, the Group applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its loans receivable (other than margin loan receivables) and other receivables within the next twelve months. The Group has determined that the provision for impairment will increase by HK$1,313,000 upon the initial adoption of the standard.

3. REVENUE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Commission and brokerage income	**24,161**	17,173
Profit/(loss) on trading of securities, forex, bullion and futures contracts, net	**(19,232)**	29,539
Dividend income from listed investments	**6,648**	926
Interest income from bullion and forex contracts trading	**286**	238
Interest income from loans and trade receivable	**13,589**	12,125
Interest income from banks and financial institutions	**2,254**	793
Rendering of services	**15,193**	15,717
Media publication and financial public relation services	**18,188**	7,402
Gross rental income	**5,901**	4,793
	66,988	88,706

4. LOSS BEFORE TAX

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
The Group's loss before tax is arrived at after charging:		
Cost of services provided	**15,371**	13,077
Cost of media publication and financial public relation services	**14,359**	9,746
Depreciation	**875**	792
Interest expenses for margin financing and money lending operations	**3,389**	2,323

5. REVENUE AND SEGMENTAL INFORMATION

The Group manages its business by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified 8 (six months ended 30 June 2017: 8) reportable segments as summarised below.

	Six months ended 30 June			
	2018	2017	**2018**	2017
	Revenue	Revenue	**Profit/ (loss) from operating activities**	Profit/ (loss) from operating activities
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Broking	**23,486**	16,861	**(9,439)**	(16,441)
Trading and investment	**(12,112)**	30,377	**(115,228)**	46,590
Margin financing and money lending	**15,623**	13,384	**6,842**	5,781
Corporate advisory and underwriting	**13,499**	13,854	**(557)**	(5,640)
Assets and wealth management	**1,895**	1,431	**(8,828)**	(12,131)
Property investment	**5,901**	4,793	**45,758**	4,366
Media publication and financial public relation services ("Media Services")	**18,188**	7,402	**(15,511)**	(13,965)
Other business and corporate	**508**	604	**(5,921)**	(6,142)
Consolidated	**66,988**	88,706	**(102,884)**	2,418

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

6. FINANCE COSTS

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

7. INCOME TAX

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profits or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the Period and the prior period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, practices and interpretations in respect thereof.

8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period (six months ended 30 June 2017: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the loss for the Period attributable to equity holders of the Company of approximately HK$111,554,000 (six months ended 30 June 2017: HK$2,963,000) and the weighted average number of 15,063,853,500 (six months ended 30 June 2017: 15,081,955,157) ordinary shares in issue during the Period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2018 and 30 June 2017 in respect of a dilution as the impact of the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share amounts presented.

10. INVESTMENT PROPERTIES

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
Carrying amount at 1 January	**480,000**	440,000
Net gain from a fair value adjustment	**40,000**	40,000
Carrying amount	**520,000**	480,000

On 30 June 2018, the Group's investment properties were revalued by Ravia Global Appraisal Advisory Limited at HK$520,000,000 (31 December 2017: HK$480,000,000). The fair value of investment properties is determined using the market comparison approach by reference to recent sales prices of comparable properties on a price per square foot basis. The investment properties are leased to third parties under operating leases.

The Group's investment properties are situated in Hong Kong. The investment properties with a carrying value of HK$520,000,000 (31 December 2017: HK$480,000,000) 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

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

12. LOANS RECEIVABLE

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity dates as follows:

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Repayable:		
On demand	**302,851**	375,283
Within 3 months	**1,299**	869
3 months to 1 year	**9,053**	2,043
1 year to 5 years	**15,469**	9,981
	328,672	388,176
Portion classified as current assets	**(313,203)**	(378,195)
Portion classified as non-current assets	**15,469**	9,981

13. TRADE RECEIVABLES AND PAYABLES

The Group allows a credit period up to the respective settlement dates of securities, forex, bullion and commodities transactions or a credit period mutually agreed between the contracting parties. The credit period for Media Services is generally one months extending up to four months for major customers.

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

14. SHARE CAPITAL

	30 June 2018 (Unaudited) *HK$'000*	31 December 2017 (Audited) *HK$'000*
Issued and fully paid:		
15,063,853,500 (2017: 15,063,853,500) ordinary shares	**1,085,474**	1,085,474

With respect of the repurchase and cancellation of a total of 20,400,000 ordinary shares as disclosed in note 31(b) in the annual report 2017 of the Company, the Companies Registry and the Company reached settlement of the aforesaid incident by taking out of a consent summons dated 2 August 2018 for an order by consent that the action of appeal of the Company against the decision of the Registrar of Companies be discontinued; the hearing of the appeal and court application scheduled in August 2018 be vacated; the Company pays the Companies Registry 50% of the costs of and occasioned by the action of appeal in an amount not exceeding HK$150,000; and no order as to the Company's costs of the application for the order and the action of appeal.

15. BUSINESS COMBINATIONS

(a) Acquisition of lifestyle Group

On 29 March 2018, the Group acquired 100% equity interests in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited from Nicemate Investments Limited, Jessica Publications (BVI) Limited, Win Gain Investments Limited and Ace Market Investments Limited, respectively, which were wholly owned by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$51,170,000, comprising the cash consideration of HK$15,000,000 and a cash adjustment to consideration of HK$36,170,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement. Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited, Jade Fountain Limited and its respective subsidiaries ("Lifestyle Group") are principally engaged in media business, including, among others, publishing printed and digital media assets and provision of event management, marketing and communication strategy, digital and creative, custom publishing, digital marketing, customer-relationship management and other related services and solutions, appealing to a client and audience base complementing to the target clients of the Group as well as owning the brand names and maintaining the relevant content archives.

The acquisition was in line with the Group's overall strategy to make investments that would create synergy with its existing operations and diversify its revenue stream as well as implement a consumer-oriented-business platform in the future. The popularity and widespread reach of the media assets produced by the Lifestyle Group would not only broaden the media platform of the Group since completion of the acquisition in 2017 but also create various business opportunities for the Group, including relationship-building across various business lines, and enable it to provide value-added services to its exiting clients.

The fair values of the identifiable assets and liabilities of Lifestyle Group as at the date of acquisition were as follow:

	Fair value recognised on acquisition				
	Perfect Riches Limited	**Super Ballex Ltd.**	**Great Ready Assets Limited**	**Jade Fountain Limited**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	575	–	–	9	584
Trade receivables	1,556	–	10	5,308	6,874
Other receivables	442	–	217	4,058	4,717
Cash and bank balances	15	–	1	4,980	4,996
Trade payables	(5,190)	–	(31)	(11,337)	(16,558)
Other payables and accruals	(1,002)	–	(1,411)	(4,343)	(6,756)
Tax payable	(12)	–	–	–	(12)
Interest-bearing bank borrowing	–	–	–	(26,675)	(26,675)
Total identifiable net liabilities at fair value	(3,616)	–	(1,214)	(28,000)	(32,830)
Goodwill on acquisition					84,000
Satisfied by cash					51,170

The fair values of the considerations transferred and identifiable net liabilities assumed of the above business combination as at the date of acquisition are provisional amounts and are subject to the finalisation of the fair value estimation within 12 months from the date of acquisition.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$6,874,000 and HK$4,717,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$6,874,000 and HK$4,717,000, respectively.

The Group incurred transaction costs of HK$2,965,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for tax purposes.

An analysis of cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(51,170)
Cash and bank balances acquired	4,996
Net outflow of cash and cash equivalents included in cash flows from investing activities	(46,174)

Since the acquisition, Lifestyle Group contributed HK$8,890,000 to the Group's revenue and loss of HK$1,687,000 to the consolidated loss for the Period.

Had the combination taken place at the beginning of the Period, the revenue of the Group and the loss of the Group for the Period would have been HK$75,093,000 and HK$111,779,000, respectively.

(b) Acquisition of Capital Group

On 18 January 2017, the Group acquired 100% equity interests in Media Bonus Limited and Golden Ways Limited from Win Gain Investments Limited and Surge Fast Assets Limited, respectively, which were wholly owned by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$22,039,000, comprising the cash consideration of HK$20,000,000 and a cash adjustment to consideration of HK$2,039,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement. Media Bonus Limited and its subsidiaries and Golden Ways Limited ("Capital Group") are engaged in the financial media business, event management, marketing services and other related business. The acquisition was in line with the Group's overall mission as a distinctive "one-stop services" financial institution and was expected to create synergy to the financial public relation business and current businesses of the Group by offering value-added marketing communication solutions to existing and potential customers with the renowned media platform.

The fair values of the identifiable assets and liabilities of Capital Group business as at the date of acquisition were as follow:

	Fair value recognised on acquisition		
	Media Bonus Limited	**Golden Ways Limited**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	11	–	11
Intangible assets	3,481	2,454	5,935
Trade receivables	2,393	1,202	3,595
Other receivables	894	368	1,262
Cash and bank balances	26	5	31
Deferred tax assets	574	405	979
Trade payables	(387)	(108)	(495)
Other payables and accruals	(1,908)	(457)	(2,365)
Deferred tax liabilities	(574)	(405)	(979)
Total identifiable net assets at fair value	4,510	3,464	7,974
Goodwill on acquisition	13,714	351	14,065
Satisfied by cash	18,224	3,815	22,039

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$3,595,000 and HK$1,262,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$3,595,000 and HK$1,262,000, respectively.

The Group incurred transaction costs of HK$1,074,000 for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

None of the goodwill recognised is expected to be deductible for tax purposes.

An analysis of cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(22,039)
Cash and bank balances acquired	31
Net outflow of cash and cash equivalents included in cash flows from investing activities	(22,008)

In the prior period, since the acquisition, Media Bonus Limited and its subsidiaries and Golden Ways Limited contributed HK$4,713,000 and HK$2,689,000 to the Group's revenue, respectively, and loss of HK$6,416,000 and HK$6,343,000, respectively, to the consolidated loss for the Period.

The fair values of the considerations transferred and identifiable net assets acquired recognised in the Group's interim financial statements for the six months ended 30 June 2017 were unaudited amounts. The fair value estimation was finalised in the Group's consolidated financial statements for the year ended 31 December 2017. As a result, certain comparative amounts in the Group's interim financial statements for the six months ended 30 June 2018 were restated to reflect the adjustments.

16. OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Changes in fair value of available-for-sale financial assets	**–**	8,891
Changes in fair value of financial assets at fair value through other comprehensive income	**(2,520)**	–
Exchange differences on translation of foreign operations	**(1,088)**	2,147
	(3,608)	11,038

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of equity investments and leveraged foreign exchange contracts are based on quoted market prices. The fair value of financial assets at fair value through other compressive income in which represented club debentures have been estimated based on market transaction prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *HK$'000*	**Significant observable inputs (Level 2) (Unaudited)** *HK$'000*	**Significant unobservable inputs (Level 3) (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Assets measured at fair value:				
Financial assets at fair value through other comprehensive income:				
Equity investments	**37,170**	**–**	**–**	**37,170**
Debt investments	**–**	**2,445**	**–**	**2,445**
Financial assets at fair value through profit or loss *(note 11)*	**550,827**	**–**	**–**	**550,827**
Derivative financial instruments:				
Leveraged foreign exchange contracts	**–**	**448**	**–**	**448**
	587,997	**2,893**	**–**	**590,890**
Liabilities measured at fair value:				
Derivative financial instruments:				
Leveraged foreign exchange contracts	**–**	**83**	**–**	**83**

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *HK$'000*	Significant observable inputs (Level 2) (Audited) *HK$'000*	Significant unobservable inputs (Level 3) (Audited) *HK$'000*	Total (Audited) *HK$'000*
Assets measured at fair value:				
Available-for-sales investments:				
Equity investments	39,690	–	–	39,690
Debt investments	–	2,445	–	2,445
Financial assets at fair value through profit or loss *(note 11)*	625,183	–	–	625,183
Derivative financial instruments				
Leveraged foreign exchange contracts	–	615	–	615
	664,873	3,060	–	667,933
Liabilities measured at fair value:				
Derivative financial instruments:				
Leveraged foreign exchange contracts	–	289	–	289

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

The results of our core business segments, excluding investments trading and properties investment, improved during the Period with an increase in revenue of 36.8% from HK$53.5 million for the last period to HK$73.2 million for the current period. Operating losses of these core business segments also reduced by 31.1% from HK$48.5 million for the last period to HK$33.4 million for the current period.

The Group recorded an aggregate revenue of HK$67.0 million (2017: HK$88.7 million) and a loss of HK$111.6 million for the Period as compared with the loss of HK$3.0 million for the last corresponding period.

BUSINESS REVIEW

The principal businesses of the Group includes broking, trading and investment, margin financing and money lending, corporate advisory and underwriting, asset and wealth management, media and property investment.

Broking, trading and investment

The strong market momentum in the second half of last year has continued throughout this Period. The Hang Seng Index and market turnover experienced a rally and reached its record high of 33,484 in January 2018. Following positive market sentiment, coupled with strong result announcements from a majority of listed companies, the market turnover maintained its momentum until the outbreak of China-US trade war in June 2018. The average daily market turnover for the first half year of 2018 increased by 67% to HK$127 billion from HK$76 billion for the same period last year. The brokerage commission income increased from HK$16.9 million to HK$23.5 million and the operating loss of this business segment was reduced from HK$16.4 million to HK$9.4 million.

The entrance of a number of PRC technology companies into the industry imposed significant pressure on industry players whose major clientele are retail clients in the mass market. Benefiting from strong technical and financial resources, the PRC companies focused on changing the very technology infrastructure of the industry. “Zero commission” became increasingly popular amongst industry players and profit margins were driven down significantly. Nevertheless, our Group possesses a unique media platform in which we have been integrating our brokerage trading platform to provide additional value-added services to our clients and maintain our competitiveness in the market.

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK$625.2 million as at 31 December 2017 to HK$550.8 million as at 30 June 2018. The major investments holding and its fair value gains or losses are listed below:

Stock code	Name of security	Carrying value as at 30 June 2018	Percentage of shareholding Interest	Fair value gain/(loss) during the Period
		HK$'000		*HK$'000*
670	China Eastern Airlines Corporation Limited	123,388	0.161	(9,069)
992	Lenovo Group Limited	104,091	0.204	(2,978)
3988	Bank of China Limited	76,820	0.007	(1,214)
1033	Sinopec Oilfield Service Corporation	60,260	0.302	(14,527)
1097	i-CABLE Communications Limited	32,066	4.201	(27,299)
Other		154,202		(43,331)
Total		550,827		(98,418)

The Hang Seng Index decreased by 3.2% from 29,919 at last year-end to 28,955 at the current Period end and the Hang Seng China Enterprises Index decreased by 5.4% from 11,709 to 11,073 for the same period. As a result, there was an unrealized fair value losses of HK$98.4 million resulting from mark-to-market of the financial assets at Period end as opposed to the unrealized loss of HK$10.0 million for the same period last year. Such losses were subject to market sentiment and it is anticipated that they will change over the time.

Margin financing and money lending

Interest income recorded for the Period was HK$15.6 million compared with the same period of last year of HK$13.4 million. The increase of interest income by 16% was mainly attributed to the larger loan size over the Period and is attributed to the record high Hang Seng Index and market turnover during the Period. However, the momentum of the equities market started to dampen around the Period end and funding started to withdraw from the equities market. The loan size was reduced from HK$388.2 million at 31 December 2017 to HK$328.7 million at 30 June 2018, representing a reduction of 15.3%.

Corporate advisory and underwriting

The IPO market was especially active during the reporting Period. The number of newly listed companies stood at 108 during the Period which represented an increase of 50% compared with 72 companies for the same period last year. Funds raised by IPO marginally decreased from HK$55 billion to HK$50 billion for the Period. This reflected the fact that there were more small-to-medium size initial public offering ("IPO") deals during this Period. This worked to our advantage as our strategy is to target SME clients and develop a specialized offering in a niche market. Our investment banking team completed two IPO deals in which we were acting as sole sponsor, joint book runner and joint lead manager. Although our revenue in this business segment maintained at the similar level of HK$13.5 million compared with HK$13.9 million for the last period, the projected dealflow pipeline is strong and there have been several IPO applications submitted to the Hong Kong Exchange and Clearing Limited ("HKEx") on behalf of clients during the Period. It is expected that these IPO transactions would be completed in the second half of this year and revenue will be crystalized accordingly. As a result, additional revenue is anticipated for this segment in the second half this year.

The major revenue source of this business segment was mainly from IPO deals which rely on positive market sentiment which has been relatively volatile in recent months. In order to achieve a more stable stream of income during the reporting Period, the investment banking team also engaged in alternative mandates such as acting as an independent financial advisor and compliance advisor to a range of clients.

Asset and wealth management

During the Period, we restructured the asset and wealth management teams in order to reduce operating costs. The loss for this business segment was significantly reduced by 27% to HK$8.8 million for the Period from HK$12.1 million for the last period. The Group continued to maintain a prudent approach to costs management whilst also investing in key strategic initiatives for future growth.

Previously the strategy of asset and wealth management was to define and create products prior to identifying suitable investors. In this Period, we have re-aligned our resources and strategy to become more focused on soliciting the investors first and then customising the products for them. We believed this client-first approach should bring in business for our asset management team and enable a more resource efficient business model.

Media

The acquisition of a lifestyle media group engaged in the publication of Jessica, JESSICA Dream Wedding, JESSICA Baby, JTV, Marie Claire (Hong Kong edition), JMEN, Whizkids Express Weekly and Car Plus together with its media business in event management, marketing and other services was completed in March 2018. Together with the Previous Acquisition of the financial media group, the acquisition focused on creating synergies with its existing operations and diversifying its revenue streams as well as implementing a consumer-oriented-business platform in the future. The popularity and widespread reach of the media assets produced by the Media Group will create various business opportunities for the Group, including relationship-building across various business lines, and will also enable it to provide value-added services to its existing clients. Utilising the significant audience and circulation reach of the Media platform, its broad customer base database, as well as the big data of the Media Group, the Group will also be able to broaden its scope of products and service offerings in order to develop a more innovative consumer-oriented business platform.

The revenue and operating loss of the media business segment were HK$18.2 million and HK$15.5 million respectively for the Period. The loss included one-off transaction costs amounting to HK$3.0 million incurred in relation to the acquisition of the lifestyle media group. The prevailing market environment was challenging and unfavorable to the media industry, particularly for traditional print media. During the Period, the Media Group focused on investing on the development of its digital offerings and products, including the very recent launch of its new "Capital TV", "Jessica Live" and "MC Live" in order to build an integrated media platform, and capture the growing digital-related advertising revenue.

Property investment

The strong demand from PRC companies for high-end office premises in core districts continued to drive up the commercial properties market. A revaluation gain of HK$40 million, representing 8% of the fair value of our investment property at 31 December 2017, was recorded for the Period. The fair value of the investment properties increased from HK$480 million at 31 December 2017 to HK$520 million at the Period end. Gross rental income for the Period also increased by 22.9% to HK$5.9 million from HK$4.8 million for last period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from a bank. The banking facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The outstanding credit facilities were guaranteed by the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank borrowings, less cash and bank balances. Capital represents total equity. The gearing ratio as at 30 June 2018 was approximately 34.2% (31 December 2017: 24.1%).

The Group had a cash balance of HK$151.1 million at the end of the Period, a decrease of 37.3% from the end of 2017. The Group had sufficient working capital base to meet its operational needs.

CAPITAL STRUCTURE

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

Use of proceeds update

As disclosed in the 2016 Annual Report dated 28 March 2017, the unutilized net proceeds from rights issue completed on 11 August 2016 amounted to HK$391.2 million as at 28 February 2017, of which (i) approximately HK$280 million was intended to be used to set up a securities joint venture in mainland China, (ii) HK$87.2 million earmarked for use towards the lending business, and (iii) HK$24 million for use as seed capital in fund products by the Company and the costs incidental to setting up of fund products.

The Group has continued to use the unutilized funds according to the revised intended use. As at 30 June 2018, the unutilized net proceeds have been reduced to HK$302.0 million, of which (a) the amount of HK$280 million was designated for setting up of a securities joint venture in China, and (b) HK$22.0 million towards asset management related business. During the reporting period, the Company has actively identified parties for the purpose of establishing a securities joint venture in mainland China, but no such initial negotiations came to fruition. The Company shall continue to actively seek appropriate partners but believes that the process is unlikely to complete in the imminent future.

Consistent with the long term goal of supporting the sustainable and healthy development of the Company's principal operating activities, the Company follows the prevailing practice and continues to apply the following capital management and interim deployment strategies in respect of the abovementioned unutilized proceeds of approximately HK$302.0 million, pending the identification and conclusion of a securities joint venture and subject to the progress business and the launch of the fund products under asset management business:

1. used as standby capital to support the securities brokerage business, the securities financing business and lending business when needed; and

2. for better effectiveness and returns in respect of the Company's capital management, and to improve cash flow management, the Company shall adopt a treasury management model that may involve (but shall not be limited to) repayment of revolving bank loans, holding fixed income instruments, high grade equity instruments and other financial investments.

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 March 2018, the Group acquired 100% equity interests in Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited and Jade Fountain Limited from Nicemate Investments Limited, Jessica Publications (BVI) Limited, Win Gain Investments Limited and Ace Market Investments Limited, respectively, which were wholly owned by Mr. Ng Hung Sang, a director, the Chairman of the Board and a substantial shareholder of the Company, for an aggregate cash consideration of HK$51,170,000, comprising the cash consideration of HK$15,000,000 and a cash adjustment to consideration of HK$36,170,000 that was paid pursuant to the adjustment to consideration clause contemplated in the relevant sales and purchase agreement. Perfect Riches Limited, Super Bellax Ltd., Great Ready Assets Limited, Jade Fountain Limited and its respective subsidiaries became indirect wholly-owned subsidiaries of the Company thereafter.

PLEDGES OF ASSETS

As at 30 June 2018, the Group's investment properties and listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2018, the Group had no material contingent liabilities and commitments.

EVENT AFTER THE REPORTING PERIOD

On 23 July 2018, the Company (as Purchaser) entered into the sale and purchase agreement with Orient Victory Travel Group Company Limited (as Vendor) in relation to the acquisition of 85 fully paid-up ordinary shares of King Link Investments Limited ("King Link"), representing 85% issued share capital of King Link at a total consideration of HK$4,800,000. Details of the transaction were disclosed in the announcement of the Company dated 23 July 2018.

EMPLOYEES

As at 30 June 2018, the total number of employees of the Group was 274 (six months ended 30 June 2017: 263). Employees' costs (including directors' emoluments) amounted to approximately HK$57.3 million for the Period (six months ended 30 June 2017: approximately HK$60.0 million). The changes were mainly attributable to the net effect of acquisition of Media Group which was completed in March 2018 and the restructuring of internal resources.

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

PROSPECTS

During the Period, the world's financial markets experienced bouts of volatility following significant corrections across major stock markets. Investor sentiment was dominated by uncertainties surrounding the escalation of US-China trade tensions, the volatility of RMB, concerns over the de-leveraging policy of China and the less accommodative monetary policy of US. These factors are expected to continue to act as a headwind for the market for the remainder of the year.

Facing such a rapidly changing financial landscape and increasingly aggressive competition in the brokerage business segment, the Group continued its effort to ensure it remained competitive amongst its peers in the industry. We have plans to upgrade our internet and mobile trading platform, make use of various social media in order to engage more promotion programs, integrate the on-line and mobile trading platform with the Media Group's financial video programs so as to provide better services and attract new clients. With a long reputation in the industry and possessing a solely-owned media platform, the Group aims to create synergies across these two business segments and secure niche market positioning in a highly competitive environment.

In view of the possible downturn of the equities market in the second half of the year, the margin loan business is expected to remain stagnant. On the other hand, the properties market continues its upward trend and the demand for mortgage loans is strong. During this current Period, we commenced the mortgage loan business. The Group will spend more resources in developing both first and second mortgage loan businesses so as to compensate for the possible loss of interest income from the margin loan business.

In April 2018, HKEx implemented a significant listing reform to facilitate listing of companies from emerging and innovative sectors with weighted voting right ("WVR") structures and pre-revenue biotech companies. With the IPO of the first WVR company completed in July this year, it is expected that there are a number of such "new economy" companies interested in listing in Hong Kong. Through our offices established in Beijing and London, our Investment Banking teams will extend their clients base across the border. This will create a new source of dealflow to the Group and we are optimistic about our investment banking business in the future.

Our new asset management team is targeting the launch of several funds in relation to real estate development and pre-IPO deals. Meanwhile, we will also solicit white-label business opportunities in which we act as investment advisor to other fund houses and extend our products coverage to discretionary management accounts services. This will allow our fund manager to design specific investment portfolios for each individual client with greater flexibility. Our wealth management business plans to develop more channels and distribute greater variety of financial products so as to increase the Group's revenue.

The Media Group will continue to develop its digital offerings and products, including the newly launched "Capital TV", "Jessica Live" and "MC Live". In addition, several new events, such as Green related events and corporate social responsibility events, will be rolled out in the second half of 2018. The Financial Public Relationship ("FPR") team will leverage its experience over the financial services business client base and focus on providing more comprehensive and competitive integrated marketing services to our corporate clients. We will consistently realign our business model, workflow and cost structure to stay competitive in meeting the industry changes and challenges, and thereby to achieve improved operating results in future.

We envisage the financial services operating environment to remain challenging in the future. In order to balance the business risks of the Group and achieve a more stable revenue stream, the Group has plans to further expand its business into some non-financial services industries, such as the jewelry and catering business in PRC. It is anticipated that the internal demand of goods and services in PRC is on an upward trend and the Group is well positioned to leverage the experience from its affiliates in PRC to build up its own businesses there.

We believe our strong foothold in Hong Kong provides a firm foundation for us to keep moving forward and hone our capabilities so as to better adapt to the increasingly sophisticated demands of our customers and to create long term value for our shareholders.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the Period (six months ended 30 June 2017: Nil).

MANAGEMENT OF RISKS

The Group set out in its 2017 annual report and financial statements the principal risks and uncertainties that could impact its performance; these have remained unchanged since the annual report was published. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, foreign exchange risk, liquidity risk and equity price risk. The Group reviews and monitors each of these risks closely at all times.

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

As at 30 June 2018, 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in ordinary shares of the Company

Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner	556,663,200	4,423,080,384	29.36%
	Interest of controlled corporations	3,866,417,184 *(Note)*		
Cheung Choi Ngor	Beneficial owner	615,015,578	615,015,578	4.08%
Raymond Arthur William Sears, Q.C.	Interest of spouse	2,650,000	2,650,000	0.02%

Note:

The 3,866,417,184 shares of the Company held by Mr. Ng through controlled corporations included 1,176,301,512 shares held by Fung Shing Group Limited ("Fung Shing"), 2,231,184,000 shares held by Parkfield Holdings Limited ("Parkfield"), 99,993,600 shares held by Ronastar Investments Limited ("Ronastar") and 358,938,072 shares held by Uni-spark Investments Limited ("Uni-spark"). Fung Shing, Parkfield and Ronastar were directly wholly-owned by Mr. Ng. Uni-spark was indirect wholly-owned by Mr. Ng.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which was required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, substantial shareholders and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follow:

Long position in the ordinary shares

Shareholders	**Capacity**	**Number of ordinary shares**	**Approximate percentage of shareholding to total issued ordinary shares**
Ng Lai King Pamela	Interest of spouse *(Note 1)*	4,423,080,384	29.36%
Fung Shing	Beneficial owner *(Note 2)*	1,176,301,512	7.81%
Parkfield	Beneficial owner *(Note 3)*	2,231,184,000	14.81%

Notes:

1. 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 4,423,080,384 shares which Mr. Ng is interested in.

2. Fung Shing is wholly-owned by Mr. Ng.

3. Parkfield is wholly-owned by Mr. Ng.

Save as disclosed above, as at 30 June 2018, the Company was not notified by any persons (other than Directors or chief executive of the Company as discussed above) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

EMPLOYEES' SHARE AWARD SCHEME

On 10 June 2015, the Company adopted the Share Award Scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and the conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK$20 million for the purchase of shares of the Company and/or other shares listed on the Main Board or GEM of the Stock Exchange from market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

No share award has been granted to the employees of the Company during the Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme in June 2012 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to success of the Group's operations, and retaining such participants for their continuing support to the Group. Particulars and movements of the outstanding share options granted under the Scheme during the Period were as follows:

	Number of share options					
Name or category of participants	**At 1 January 2018**	**Lapsed during the period**	**At 30 June 2018**	**Date of grant of share options (DD/MM/YYYY)**	**Exercise period of share options (DD/MM/YYYY)** *(Note i)*	**Exercise price per share** *(Note ii)* *HK$*
Employees	10,358,974	(10,358,974)	–	09/06/2015	09/06/2016 – 08/06/2018	0.195
	10,358,975	–	10,358,975	09/06/2015	09/06/2017 – 08/06/2019	0.195
	10,358,975	–	10,358,975	09/06/2015	09/06/2018 – 08/06/2020	0.195
Total	31,076,924	(10,358,974)	20,717,950			

Notes:

(i) All share options granted are subject to a vesting period and becoming exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th–36th month	$33^1/_3$%
25th–48th month	$33^1/_3$%
37th–60th month	$33^1/_3$%

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

(ii) The exercise price of the share option is subject to adjustment in case of rights issues, or other alteration in the capital structure of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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 are set out below:

Ms. Cheung Choi Ngor has been re-designated from chief executive officer to co-chief executive officer of South China Holdings Company Limited, being listed on the Stock Exchange with effect from 16 May 2018.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules except that:

1. (i) Mr. Ng, an Executive Director and the chairman of the Board of the Company was unable to attend the annual general meeting of the Company held on 14 June 2018 (the "2018 AGM") which deviated from code provision E.1.2 of the CG Code; (ii) Hon. Raymond Arthur William Sears, Q.C., an Independent Non-executive Director ("INED") of the Company was unable to attend the extraordinary general meeting held on 28 March 2018 (the "2018 EGM") and (iii) Mr. Tung Woon Cheung Eric, an INED of the Company was unable to attend the 2018 EGM and 2018 AGM which deviated from code provision A.6.7 of the CG Code as they had other business engagements; and

2. Following the appointment of the company secretary with effect from 21 December 2017, the Company had complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary, before that the Company had not complied with such requirements since the resignation of the company secretary on 8 January 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Tung Woon Cheung Eric (Chairman of the Audit Committee), Hon. Raymond Arthur William Sears, Q.C. and Mrs. Tse Wong Siu Yin Elizabeth.

The Group's unaudited consolidated results for the Period have been reviewed by the Audit Committee in conjunction with the Company's external auditor. 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.

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, 28 August 2018

As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Ms. Ng Yuk Mui Jessica and Dr. Wang Wei Hsin 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.