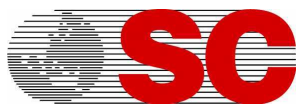


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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 619)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP RESULTS

The board of directors (the “Board”) of South China Financial Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2012 together with comparative figures for the last financial year as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	2&4	122,749	61,578
Other income		285	223
Fair value gain on investment properties		34,200	-
Fair value gain / (loss) on financial assets at fair value through profit or loss		40,889	(79,081)
Loss on disposal of available-for-sale investments		-	(8,895)
Impairment of available-for-sale investments		(3,710)	-
Reversal of Impairment/(Impairment) of loans and trade receivables, net		1,441	(6,596)
Other operating expenses		(133,495)	(125,992)
Profit / (Loss) from operating activities	4	62,359	(158,763)
Finance costs	5	(6,957)	(5,500)
Profit / (Loss) before tax	3	55,402	(164,263)
Income tax credit	6	1,205	2,128
Profit / (Loss) for the year		<u>56,607</u>	<u>(162,135)</u>
Attributable to:			
Equity holders of the Company		56,610	(162,136)
Non-controlling interests		(3)	1
		<u>56,607</u>	<u>(162,135)</u>
Earnings / (Loss) per share attributable to equity holders of the Company	7		
Basic and diluted		<u>1.13 HK cents</u>	<u>(3.22 HK cents)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December	
		2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		7,206	186,875
Investment properties	8	357,900	-
Intangible assets		836	836
Investment in associates	9	14,923	-
Available-for-sale investments	10	23,957	21,795
Other assets		8,405	7,087
Long term loans receivable		4,605	495
Long term deposits		5,286	5,574
Total non-current assets		<u>423,118</u>	<u>222,662</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		236,767	246,787
Loans receivable		204,204	128,460
Trade receivables	11	126,551	100,420
Other receivables, prepayments and deposits		11,614	13,269
Tax recoverable		-	45
Pledged time deposits		5,500	5,500
Cash held on behalf of clients		450,800	414,648
Cash and bank balances		107,018	125,811
Total current assets		<u>1,142,454</u>	<u>1,034,940</u>
CURRENT LIABILITIES			
Client deposits		437,358	401,099
Trade payables	12	142,614	91,740
Other payables and accruals		8,937	8,132
Tax payable		40	11
Interest-bearing bank borrowings		301,571	272,737
Total current liabilities		<u>890,520</u>	<u>773,719</u>
NET CURRENT ASSETS		<u>251,934</u>	<u>261,221</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>675,052</u>	<u>483,883</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		145,249	159,950
Deferred tax liabilities		29,227	6,669
Total non-current liabilities		<u>174,476</u>	<u>166,619</u>
Net assets		<u>500,576</u>	<u>317,264</u>

		As at 31 December	
	<i>Notes</i>	2012	2011
		HK\$'000	HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	13	125,708	125,708
Reserves		374,299	190,984
		500,007	316,692
Non-controlling interests		569	572
Total equity		500,576	317,264

Notes:

1. Principal accounting policies and basis of preparation

The accounting policies and basis of preparation adopted in these financial statements are generally consistent with those adopted in the Group's audited 2011 annual financial statements 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 2012 as disclosed in the audited 2011 annual financial statements and the accounting policies for investment property for the investment property transferred from the owner-occupied property on 30 June 2012 and associates for the new investments in associates as described below. The adoption of these new Hong Kong Financial Reporting Standards as disclosed in the annual financial statements for the year ended 31 December 2011 does not have significant impact on the Group's results of operations and financial position except for HKAS12 Amendments as described below.

Investment properties

Investment properties are land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

Gain or losses arising from changes in the fair value or from the retirement or disposal of an investment property are recognized in profit or loss.

For a transfer from owner-occupied properties to investment properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. Any increase from the carrying amount of the owner-occupied property to the fair value at that date is recognized in profit or loss to the extent the increase reverses a previous impairment loss, if any, with the remaining part of the increase recognized in the property revaluation reserve. On subsequent disposal of such property, the property revaluation reserve is transferred to retained earnings.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

HKAS 12 Amendments Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use, and accordingly the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of the Group's investment properties is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised below:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Consolidated income statement for the year ended 31 December		
Decrease in income tax expense	<u>5,643</u>	<u>-</u>
Increase in profit for the year	<u>5,643</u>	<u>-</u>
Increase in basic earnings per share (HK cents)	<u>0.11</u>	<u>-</u>
Increase in diluted earnings per share (HK cents)	<u>0.11</u>	<u>-</u>
Consolidated statement of financial position at 31 December		
Decrease in deferred tax liabilities and total non-current liabilities	<u>5,643</u>	<u>-</u>
Increase in net assets and reserves	<u>5,643</u>	<u>-</u>

2. Revenue

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Commission and brokerage income	48,003	57,213
Profit / (loss) on trading of securities, bullion, forex and futures contracts	48,855	(20,066)
Interest income from loans and trade receivable	13,115	15,049
Interest income from bullion and forex	619	1,077
Interest income from banks and financial institutions	2,362	597
Rendering of services	4,151	2,589
Gross rental income	596	-
Handling fee income	2,059	2,394
Dividend income from listed investments	2,989	2,725
	<u>122,749</u>	<u>61,578</u>

3. Profit / (loss) before tax

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
The Group's profit / (loss) before tax is arrived at after charging:		
Cost of services provided	25,480	26,667
Depreciation	5,173	6,596
Interest expenses for margin financing and money lending operations	3,466	2,348
Loss on disposal of items of property, plant and equipment	<u>1,682</u>	<u>-</u>

4. Revenue and segmental information

An analysis of the Group's revenue and contribution to operating profit/(loss) by business segment for the years ended 31 December 2012 and 2011 is as follows:

	2012 <i>Revenue HK\$'000</i>	2011 <i>Revenue HK\$'000</i>	2012 <i>Contribution to operating profit/ (loss) HK\$'000</i>	2011 <i>Contribution to operating profit/ (loss) HK\$'000</i>
Broking	47,754	57,280	(24,171)	(12,550)
Trading and investment	53,492	(12,783)	64,958	(128,316)
Margin financing and money lending	17,135	16,541	9,455	2,226
Corporate advisory and underwriting	2,317	540	(6,359)	(8,492)
Wealth Management	1,455	-	(2,030)	-
Property Investment	596	-	31,881	-
Corporate and others	-	-	(11,375)	(11,631)
	<u>122,749</u>	<u>61,578</u>	<u>62,359</u>	<u>(158,763)</u>

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

5. Finance costs

Finance costs mainly represent interest on mortgage loan secured by the Group's property.

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. 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, interpretations and practices in respect thereof.

7. Earnings / (Loss) per share

The calculations of basic and diluted earnings / (loss) per share are based on:

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Earnings / (loss)</u>		
Profit / (loss) attributable to equity holders of the Company	<u>56,610</u>	<u>(162,136)</u>
	Number of shares	
	2012	2011
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings / (loss) per share calculation	<u>5,028,334,500</u>	<u>5,028,501,623</u>

No adjustment has been made to the basic earnings / (loss) per share amounts presented for the years ended 31 December 2012 and 2011 in respect of dilution because the exercise price of the Company's share options was higher than the average market price of shares for both years.

8. Investment properties

	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions	900	-
Transfer from owner-occupied properties	322,800	-
Net gain from a fair value adjustment	<u>34,200</u>	-
Carrying amount at 31 December	<u>357,900</u>	<u>-</u>

The Group's investment properties are situated in Hong Kong and are held under long term leases.

On 30 June 2012, the Group transferred the owner-occupied properties of carrying amount of HK\$178,855,000 to investment properties. The properties were revalued at the fair value of HK\$322,800,000 on that date by BMI Appraisals Limited, independent professionally qualified valuers, on the open market and existing use basis. The increase of HK\$143,945,000 in the carrying amount is recognized in the property revaluation reserve.

The Group's investment properties were revalued on 31 December 2012 by BMI Appraisals Limited at HK\$357,900,000 on an open market and existing use basis. The investment properties are partially leased to third parties under operating leases.

On 31 December 2012, the Group's investment properties with a carrying value of HK\$357,900,000 (2011: Nil) were pledged to secure general banking facilities granted to the Group.

9. Investment in associates

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Share of net assets	<u>14,923</u>	<u>-</u>

Particulars of the associates are as follows:

Name	Registered capital	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activities
嘉田文化發展(天津)有限公司	RMB20,000,000	PRC/Mainland China	45%	Media and entertainment
上海華威創富股權投資管理有限公司	RMB20,000,000	PRC/Mainland China	50%	Provision of fund management services

10. Available-for-sale investments

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Club debentures, at fair value	2,327	2,475
Listed equity investments in Hong Kong, at fair value	<u>21,630</u>	<u>19,320</u>
	<u>23,957</u>	<u>21,795</u>

11. Trade receivables

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 following is the ageing analysis of net trade receivable at the date of statement of financial position:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current to 90 days	<u>126,551</u>	<u>100,420</u>

12. Trade payables

All of the Group's trade payables are aged within 30 days.

13. Issued Capital

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Shares		
Authorised:		
8,000,000,000 (2011: 8,000,000,000) ordinary shares of HK\$0.025 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
5,028,334,500 (2011: 5,028,334,500) ordinary shares of HK\$0.025 each	<u>125,708</u>	<u>125,708</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Hang Seng Index rose by 23% from 18,434 at the end of 2011 to 22,656 at the end of 2012. Reflecting this market recovery, the Group recorded a profit of HK\$56.6 million in the year ended 31 December 2012.

Broking, trading and investment

Average daily securities market turnover decreased by 23% from HK\$69.7 billion to HK\$53.9 billion. Revenue recorded for the broking business decreased correspondingly from HK\$57.3 million to HK\$47.8 million. Operating loss of HK\$24.2 million was recorded for the segment for the year ended 31 December 2012.

Reflecting the recovery in the equity market, trading and investment recorded a profit of HK\$65.0 million for the year as compared with a loss of HK\$128.3 million for the last year.

Margin financing and money lending

Our loan and advance portfolio for margin financing and personal loan was HK\$208.8 million as at 31 December 2012 as compared with HK\$129.0 million as at the end of 2011. Revenue increased by 4% from HK\$16.5 million to HK\$17.1 million for the year ended 31 December 2012. Contribution from this segment was HK\$9.5 million including net reversal of impairment of loans of HK\$2.0 million.

Corporate advisory and underwriting

Revenue from our corporate advisory and underwriting business was HK\$2.3 million and operating loss was HK\$6.4 million for the year ended 31 December 2012.

Wealth management

Revenue and operating loss for this new segment was HK\$1.5 million and HK\$2.0 million respectively for the year ended 31 December 2012.

Property investment

Including fair value revaluation gain of HK\$34.2 million for the investment properties, contribution from this segment was HK\$31.9 million for the year ended 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term bank credit facilities which were reviewed on a yearly basis and a long term mortgage loan. The facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The facilities for the money lending operations were clean loans. The outstanding credit facilities were guaranteed by the Company.

As at 31 December 2012, the Group's long term bank borrowings apart from those for share margin finance business and personal loan business amounted to HK\$145.2 million (31 December 2011: HK\$160.0 million), which, when related to the Group's equity of HK\$500.6 million (31 December 2011: HK\$317.3 million), represented a gearing ratio of approximately 29.0% (31 December 2011: 50.4%).

The Group had a cash balance of HK\$107.0 million at the end of the year. The Group had sufficient working capital to meet its operational needs.

PROSPECTS

Under the shadow of extremely slow growth in the global economic recovery resulting from the weak fundamentals of the European, US and Japan economies, the slowing economy of China, Hong Kong GDP growth for 2012 was only 1.4%. Trading and fund raising activities were quiet in most of 2012. Average daily turnover of the stock market decreased by more than 23% comparing with 2011. While the number of newly listed companies decreased by 37%, the total fund raised by IPOs dropped by 65%.

Looking forward, 2013 continues to be very challenging. Market activities are anticipated to pick up slowly. Hong Kong economic growth is forecast to improve slightly, coming in 1.5 to 3.5 per cent in 2013-2014. With the revival of China's economy, the continuing implementation of the quantitative easing in the United States and the improvement of the Eurozone debt crisis, it is expected that funds and investors will take a more bullish view. This will boost up the sentiment for investment and fund-raising.

South China made good use of the relatively quiet time to improve the internal supporting system and staff to make us in a better position ahead of the opportunities for future growth. In 2012, substantial effort was put in broadening product portfolios and improving operational efficiency and service qualities. We are well equipped to fight for revenue growth and bigger market share when the market turns bullish.

The newly developed business initiatives in 2012 are on the right track. We continue to have strong confidence in the prospect of Bullion Trading, Wealth Management and Asset Management.

Business of bullion trading has been showing substantial improvement starting in the fourth quarter of 2012. The new business model makes the difference. The introduction of quoting within a narrower spread at minimal commission charges effectively attracts new clients. The revamped trading system is well received and further facilitates growth. The competitive advantages we created are expected to continue to drive the business growth for bullion trading.

Since the commencement of wealth management business in the second quarter of 2012, we have been broadening the product portfolio as well as strengthening our sales network. By now, the products offered within the Group include: stocks, futures, commodities, bullion, forex, funds and insurance products. We aim to become one of the leaders in the wealth management business.

While we are raising funds for the two segregated portfolios focusing on the options market and the gold market, we strengthen our asset management business by forming an associated company in Shanghai to manage private equity funds. Leveraging on the extensive and strong relationship of our local partner with major enterprises, we are confident to raise sufficient funds to create a profitable operation within a short period of time. This leads South China a good opportunity to establish our foothold in the fund management business in China.

We continue to see healthy development in the traditional brokerage business and the new business initiatives. We are confident in and well prepared for delivering a better performance in 2013.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company has 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 (the committee chairman), Mrs. Tse Wong Siu Yin Elizabeth and Hon. Raymond Arthur William Sears, Q.C.

The Group's annual results for the year ended 31 December 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such 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
Ng Hung Sang
Chairman

Hong Kong, 19 March 2013

As at the date of this announcement, the directors of the Company are (1) Mr. Ng Hung Sang, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Yuk Yeung Paul and Mr. Chan Hing Wah as executive directors; (2) Mr. Ng Tze Wai as non-executive director; and (3) Mrs. Tse Wong Siu Yin Elizabeth, Hon. Raymond Arthur William Sears, Q.C. and Mr. Tung Woon Cheung Eric as independent non-executive directors.