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SOUTH CHINA FINANCIAL HOLDINGS LIMITED

南華金融控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00619)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	<i>Notes</i>	2023 HK\$’000	2022 HK\$’000 (restated)
CONTINUING OPERATIONS			
REVENUE	2	67,785	47,875
Other income		2,433	8,010
Fair value loss on investment properties		–	(16,800)
Fair value loss on financial assets at fair value through profit or loss, net		(7,232)	(36,391)
Fair value (loss)/gain on convertible bonds		(8,670)	1,273
Impairment of property, plant and equipment, goodwill and intangible assets		(39,943)	(8,875)
Impairment of loans and trade receivables, net		(7,585)	(5,098)
Other operating expenses	4	(132,728)	(132,729)
Loss from operating activities		(125,940)	(142,735)
Finance costs	6	(14,953)	(11,231)

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000 (restated)
LOSS BEFORE TAX FROM			
CONTINUING OPERATIONS	5	(140,893)	(153,966)
Income tax credit	7	<u>3,635</u>	<u>3,752</u>
LOSS FOR THE YEAR FROM			
CONTINUING OPERATIONS		(137,258)	(150,214)
DISCONTINUED OPERATION			
Net loss for the year from a discontinued operation	8	<u>(2,740)</u>	<u>(1,445)</u>
LOSS FOR THE YEAR		<u>(139,998)</u>	<u>(151,659)</u>
Attributable to:			
Equity holders of the Company			
— For loss from continuing operations		(137,258)	(150,214)
— For loss from a discontinued operation		<u>(1,640)</u>	<u>(908)</u>
		(138,898)	(151,122)
Non-controlling interests			
— For loss from a discontinued operation		<u>(1,100)</u>	<u>(537)</u>
		<u>(139,998)</u>	<u>(151,659)</u>
LOSS PER SHARE ATTRIBUTABLE TO			
EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted			
— For loss for the year		(HK46.1 cents)	(HK50.2 cents)
— For loss from continuing operations		<u>(HK45.6 cents)</u>	<u>(HK49.9 cents)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	<u>(139,998)</u>	<u>(151,659)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss for the year, net of tax	<u>(658)</u>	<u>(4,115)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(140,656)</u>	<u>(155,774)</u>
Attributable to:		
Equity holders of the Company	(138,858)	(155,343)
Non-controlling interests	<u>(1,798)</u>	<u>(431)</u>
	<u>(140,656)</u>	<u>(155,774)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,586	4,554
Investment properties	<i>10</i>	509,400	509,400
Right-of-use assets	<i>11</i>	86,918	1,443
Goodwill		–	36,020
Intangible assets		999	4,277
Other assets		6,607	5,845
Debt investments at fair value through other comprehensive income		3,620	3,720
Long term prepayment and deposits		–	22
		<hr/>	<hr/>
Total non-current assets		610,130	565,281
CURRENT ASSETS			
Inventories		–	9,170
Financial assets at fair value through profit or loss	<i>12</i>	46,996	122,287
Loans receivable	<i>13</i>	50,148	89,655
Trade receivables	<i>14</i>	42,573	39,901
Prepayments, other receivables and other assets		13,821	20,316
Cash held on behalf of clients		293,615	367,991
Cash and bank balances		52,031	52,931
		<hr/>	<hr/>
Total current assets		499,184	702,251

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
CURRENT LIABILITIES			
Client deposits		300,109	375,959
Trade payables	<i>15</i>	43,597	47,237
Other payables and accruals		58,682	31,663
Deposits received		999	–
Interest-bearing bank and other borrowings	<i>16</i>	204,108	322,417
Tax payable		16	10
		<hr/>	<hr/>
Total current liabilities		607,511	777,286
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(108,327)	(75,035)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		501,803	490,246
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	<i>16</i>	135,390	77,360
Convertible bonds	<i>17</i>	120,093	50,000
Deposits received		1,061	999
Deferred tax liabilities		23,800	27,435
		<hr/>	<hr/>
Total non-current liabilities		280,344	155,794
		<hr/>	<hr/>
Net assets		221,459	334,452
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	<i>18</i>	1,085,474	1,085,474
Reserves		(864,015)	(752,774)
		<hr/>	<hr/>
		221,459	332,700
Non-controlling interests		–	1,752
		<hr/>	<hr/>
Total equity		221,459	334,452
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties, debt investments, financial assets at fair value through profit or loss and convertible bonds which have been measured at fair value. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 December 2023 and 2022 included in this announcement of annual results for the year ended 31 December 2023 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The financial statements for the year ended 31 December 2023 have yet to be reported on by the Company’s auditor and will be delivered to the Registrar of Companies in due course.

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the financial statements of the Group for the year ended 31 December 2022. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Going concern basis

During the year ended 31 December 2023, the Group incurred a net loss of HK\$139,998,000 (2022: HK\$151,659,000) and as at 31 December 2023, the Group’s current liabilities exceeded its current assets by HK\$108,327,000 (2022: HK\$75,035,000).

In preparing the consolidated financial statements, the Directors of the Company (the “Directors”) have given careful consideration of the liquidity requirement for the Group’s operations, the performance of the Group and available sources of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. The Directors have reviewed the Group’s cash flow projections prepared by management which covers a period of not less than twelve months from 31 December 2023. The Directors have taken into account the following plans and measures in assessing the sufficiency of working capital requirements in the foreseeable future:

- (a) The Group is in the process of negotiating with its banks to refinance its borrowings, and secure necessary facilities to meet the Group’s working capital and financial requirements in the near future;
- (b) A director who is a substantial shareholder and another director of the Company have granted unsecured interest bearing facilities in an aggregate amount of HK\$150,000,000. The aggregate drawdown amount as at 31 December 2023 was HK\$89,800,000; and
- (c) The Directors are considering various alternatives to strengthen the capital base of the Group including but not limited to, cost restructuring, seeking new investment and business opportunities.

Based on the cash flow projections and taking into account reasonably the financial resources available including the available banking facilities and credit facility provided by a director who is also a substantial shareholder of the Company and another director of the Company, the internally generated funds from operations, proceeds from disposal of assets, and cash and bank balances of the Group, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the Directors consider it is appropriate to prepare the consolidated financial statement on a going concern basis.

Changes in accounting policies and disclosures

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

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

2. REVENUE

An analysis of revenue from continuing operations is as follows:

	2023	2022
	HK\$'000	HK\$'000
		(restated)
<i>Revenue from contracts with customers:</i>		
Commission and brokerage income	17,263	18,554
Rendering of services	1,839	385
Handling fee income	3,433	2,412
Media publications and financial public relation services* ("Media Services")	24,955	28,994
	47,490	50,345
<i>Revenue from other sources:</i>		
Profit/(loss) on the trading of securities, funds, bonds, bullion and future contracts, net	1,027	(19,186)
Interest income from loans and trade receivables	6,814	9,183
Interest income from banks and financial institutions	6,372	1,687
Dividend income from listed investments	487	1,282
Gross rental income	5,595	4,564
	20,295	(2,470)
	67,785	47,875

* Including advertising income, service income and circulation income

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

	Broking HK\$'000	Asset and wealth management HK\$'000	Corporate advisory and underwriting HK\$'000	Other business HK\$'000	Media publications and financial public relation services HK\$'000	Total HK\$'000
Types of goods or services						
Commission and brokerage income	9,220	8,043	-	-	-	17,263
Media publications and financial public relation services	-	-	-	-	24,955	24,955
Handling fee income	1,878	1,555	-	-	-	3,433
Corporate advisory income	-	-	1,441	-	-	1,441
Other business income	-	-	-	398	-	398
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>11,098</u>	<u>9,598</u>	<u>1,441</u>	<u>398</u>	<u>24,955</u>	<u>47,490</u>
Geographical markets						
Hong Kong	11,098	9,598	1,441	145	24,955	47,237
Mainland China	-	-	-	253	-	253
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>11,098</u>	<u>9,598</u>	<u>1,441</u>	<u>398</u>	<u>24,955</u>	<u>47,490</u>

For the year ended 31 December 2022 (restated)

	Broking <i>HK\$'000</i>	Asset and wealth management <i>HK\$'000</i>	Other business <i>HK\$'000</i>	Media publications and financial public relation services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Types of goods or services					
Commission and brokerage income	11,778	6,776	–	–	18,554
Media publications and financial public relation services	–	–	–	28,994	28,994
Handling fee income	2,341	71	–	–	2,412
Other business income	–	–	385	–	385
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>14,119</u>	<u>6,847</u>	<u>385</u>	<u>28,994</u>	<u>50,345</u>
Geographical markets					
Hong Kong	<u>14,119</u>	<u>6,847</u>	<u>385</u>	<u>28,994</u>	<u>50,345</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with customers	<u>14,119</u>	<u>6,847</u>	<u>385</u>	<u>28,994</u>	<u>50,345</u>

3. OPERATING SEGMENT INFORMATION

Year ended 31 December 2023

	Broking HK\$'000	Trading and investment HK\$'000	Margin financing and money lending HK\$'000	Asset and wealth management HK\$'000	Corporate advisory and underwriting HK\$'000	Property investment HK\$'000	Media publications and financial public relation services HK\$'000	Other business HK\$'000	Consolidated HK\$'000
Segment revenue:									
Revenue from external customers	<u>11,377</u>	<u>35</u>	<u>12,937</u>	<u>11,047</u>	<u>1,441</u>	<u>5,595</u>	<u>24,955</u>	<u>398</u>	<u>67,785</u>
Segment results:	(20,799)	(14,358)	(6,290)	(3,009)	72	(1,352)	(60,123)	(5,234)	(111,093)
<i>Reconciliation:</i>									
Corporate and other unallocated expenses, net [#]									(14,874)
Finance costs (other than interest on lease liabilities)									<u>(14,926)</u>
Loss before tax from continuing operations									<u>(140,893)</u>

Year ended 31 December 2022 (restated)

	Broking HK\$'000	Trading and investment HK\$'000	Margin financing and money lending HK\$'000	Asset and wealth management HK\$'000	Corporate advisory and underwriting HK\$'000	Property investment HK\$'000	Media publications and financial public relation services HK\$'000	Other business HK\$'000	Consolidated HK\$'000
Segment revenue:									
Revenue from external customers	<u>14,155</u>	<u>(19,191)</u>	<u>10,909</u>	<u>8,058</u>	<u>1</u>	<u>4,564</u>	<u>28,994</u>	<u>385</u>	<u>47,875</u>
Segment results:	(18,412)	(61,943)	(6,438)	(6,038)	(538)	(19,045)	(24,227)	(2,239)	(138,880)
<i>Reconciliation:</i>									
Corporate and other unallocated income, net [#]									(3,896)
Finance costs (other than interest on lease liabilities)									<u>(11,190)</u>
Loss before tax from continuing operations									<u>(153,966)</u>

[#] Corporate and other unallocated income/expenses include fair value loss on financial assets at fair value through profit or loss designated for the Group's Employees' Share Award Scheme amounting to HK\$150,000 (2022: HK\$1,649,000) during the year.

4. OTHER OPERATING EXPENSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Cost of services provided	7,566	6,709
Cost of media publications and financial public relation services	31,080	26,783
Depreciation of property, plant and equipment	2,021	1,844
Depreciation of right-of-use assets	2,214	1,130
Amortisation of intangible assets	1,016	1,592
Auditor's remuneration	2,050	2,100
Lease payments not included in the measurement of lease liabilities	9,030	9,060
Employee benefit expense (including directors' remuneration):		
Wages, salaries and benefits in kind	46,013	45,521
Equity-settled share option expense	–	2,988
Pension scheme contributions, net	1,572	1,572
	<u>47,585</u>	<u>50,081</u>
Interest expense for margin financing and money lending operations	3,639	2,798
Direct operating expenses arising from rental-earning investment properties	2,394	1,707
Communication expenses	8,827	9,899
Management and professional fees	962	3,633
Marketing and promotional fee	885	709
Others	13,459	14,684
	<u>132,728</u>	<u>132,729</u>

5. LOSS BEFORE TAX

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

	2023	2022
	HK\$'000	HK\$'000
		(restated)
Impairment of property, plant and equipment	1,661	–
Impairment of goodwill	36,020	8,875
Impairment of intangible assets	2,262	–
Foreign exchange differences, net	2	593
Impairment of loans receivable, net	7,109	4,802
Impairment of trade receivables, net	476	296
Gain on disposal of items of property, plant and equipment	(80)	–
Gain on disposal of subsidiaries	–	(1,148)
Gain on dissolution of subsidiaries	(204)	(1,452)
Government subsidies*	–	(3,019)
	<u> </u>	<u> </u>

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

6. FINANCE COSTS

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

	2023	2022
	HK\$'000	HK\$'000
		(restated)
Interest on bank loans, overdrafts and other borrowings	14,926	11,190
Interest on lease liabilities	27	41
	<u> </u>	<u> </u>
	<u>14,953</u>	<u>11,231</u>

7. INCOME TAX

No provision for the Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses carried forward to offset the assessable profits arising in Hong Kong during the year (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current — Elsewhere		
Charge for the year	–	16
Deferred	<u>(3,635)</u>	<u>(3,768)</u>
Total tax credit for the year from continuing operations	<u><u>(3,635)</u></u>	<u><u>(3,752)</u></u>

8. DISCONTINUED OPERATION

Nanjing South China Baoqing Jewellery Co., Ltd., a non-wholly-owned subsidiary of the Company (“Nanjing Baoqing”), was principally engaged in jewellery operation business in Nanjing, the People’s Republic of China (the “PRC”). Pursuant to a shareholders’ resolution of Nanjing Baoqing approved in April 2023, the Group decided to cease its jewellery operation business (the “Discontinued Business”) after periodic performance assessment and for better allocation of the Group’s resources. The Group ceased to carry out any business of the Discontinued Business thereafter and Nanjing Baoqing was dissolved in November 2023. The Discontinued Business was classified as a discontinued operation and the profit or loss of the corresponding year was then re-presented. With the Discontinued Business being re-presented as a discontinued operation, the jewellery business was no longer included in the operating segment information.

The results of the Discontinued Business for the years ended 31 December 2023 and 2022 are presented as below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	11,211	20,489
Other revenue	204	–
Cost of inventories sold	(9,591)	(15,546)
Other operating expenses	(4,454)	(5,771)
Finance costs	<u>(110)</u>	<u>(617)</u>
Loss for the year from a discontinued operation	<u><u>(2,740)</u></u>	<u><u>(1,445)</u></u>
Attributable to:		
Equity holders of the Company	(1,640)	(908)
Non-controlling interests	<u>(1,100)</u>	<u>(537)</u>
Loss for the year from a discontinued operation	<u><u>(2,740)</u></u>	<u><u>(1,445)</u></u>

	2023	2022
	HK\$'000	HK\$'000
The net cash flows incurred by the Discontinued Business are as follows:		
Operating activities	6,376	4,047
Financing activities	(6,690)	(3,738)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow, before foreign exchange impact	(314)	309
	<u> </u>	<u> </u>

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

	2023	2022
Loss attributable to ordinary equity holders of the Company from a discontinued operation (HK\$'000)	(1,640)	(908)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	301,277,070	301,277,070
	<u> </u>	<u> </u>
Loss per share basic and diluted from a discontinued operation (HK cents)	(0.5)	(0.3)
	<u> </u>	<u> </u>

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of HK\$138,898,000 (2022: HK\$151,122,000) and the weighted average number of 301,277,070 (2022: 301,277,070) ordinary shares in issue during the year.

The calculation of the basic loss per share amount from continuing operations is based on the loss for the year from continuing operations attributable to equity holders of the Company of HK\$137,258,000 (2022: HK\$150,214,000) and the weighted average number of 301,277,070 (2022: 301,277,070) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2023 and 2022 in respect of a dilution as the impact of the convertible bonds and share options outstanding during the years had an anti-dilutive effect on the basic loss per share amounts presented.

10. INVESTMENT PROPERTIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount as at 1 January	509,400	526,200
Net loss from a fair value adjustment	–	(16,800)
	<hr/>	<hr/>
Carrying amount at 31 December	<u>509,400</u>	<u>509,400</u>

The Group's investment properties consist of commercial office premises in Hong Kong. The directors of the Company have determined that the investment properties consist of one class of asset, that is, commercial, based on the nature, characteristics and risks of these properties. The Group's investment properties were revalued on 31 December 2023 based on valuations performed by Ravia Global Appraisal Advisory Limited, independent professionally qualified valuers, at HK\$509,400,000. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

On 31 December 2023, the Group's investment properties with a carrying value of HK\$509,400,000 (2022: HK\$509,400,000) were pledged to secure general banking facilities granted to the Group.

11. RIGHT-OF-USE ASSETS

As at 31 December 2023, the Group's right of use assets mainly comprised the leasehold forestry land use rights acquired through acquisition of Genius Year Limited and its subsidiaries on 13 January 2023. The leasehold forestry land use rights over certain parcels of land are located in Chongyang County, Xianning City, Hubei Province, the PRC for a tenure of 70 years expiring between 31 July 2079 and 30 April 2083.

12. 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.

13. LOANS RECEIVABLE

The Group's loans receivable mainly arose from the margin financing and money lending operations during the year.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Repayable:		
On demand	49,903	89,622
Within 3 months to 1 year	245	33
	<u>50,148</u>	<u>89,655</u>

14. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables		
— Clearing houses, brokers and dealers	36,927	32,333
— Cash and custodian receivables	3,670	5,153
— Other trade receivables	9,401	9,424
	<u>49,998</u>	46,910
Impairment	<u>(7,425)</u>	<u>(7,009)</u>
	<u>42,573</u>	<u>39,901</u>

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

An ageing analysis of the Group's trade receivables at the end of the reporting period, based on the settlement due date and net of loss allowance, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current to 90 days	40,562	37,878
Over 90 days	2,011	2,023
	<u>42,573</u>	<u>39,901</u>

15. TRADE PAYABLES

The Group's trade payables arose from securities, bullion, commodities dealings and Media Services during the year.

An ageing analysis of the Group's trade payables at the end of the reporting period, based on the settlement due date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 to 3 months	38,647	47,237
Over 3 months	4,950	–
	<u>43,597</u>	<u>47,237</u>

The trade payables are non-interest-bearing and repayable on the settlement day of the relevant trades or upon demand from customers.

In respect of Media Services and jewellery business, the credit period granted by the creditors ranges from 0 to 90 days and the trade payables are non-interest-bearing.

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	203,835	320,222
In the second year	9,118	9,549
In the third to fifth years, inclusive	36,400	1,311
	<u>249,353</u>	<u>331,082</u>
Other borrowings repayable:		
Within one year or on demand	273	2,195
In the second year	23,672	23,800
In the third to fifth years, inclusive	66,200	42,700
	<u>90,145</u>	<u>68,695</u>
	<u>339,498</u>	<u>399,777</u>

Certain of the Group's bank loans are secured by the Group's investment properties situated in Hong Kong and certain equity investments belonging to the Group and clients.

Other borrowings mainly comprised of unsecured loans from a substantial shareholder and directors of the Company.

17. CONVERTIBLE BONDS

On 7 April 2020, the Company entered into the conditional subscription agreement with Total Grace Investments Limited (“Total Grace”), a company beneficially owned by an executive director, in relation to, among others, the issue of the convertible bonds (the “CB 2020”) in an aggregate principal amount of HK\$50,000,000 at the conversion price of HK\$0.22 per share. The CB 2020 in an aggregate principal amount of HK\$50,000,000 were issued by the Company to Total Grace on 30 June 2020. The CB 2020 were designated upon initial recognition as at fair value through profit or loss.

The CB 2020 have a maturity date of 3 years from the date of issue and interest-free. The CB 2020 contain a right to convert at a maximum of 227,272,727 shares of the Company at the conversion price of HK\$0.22 per share. Unless previously converted or purchased or redeemed, the Company would redeem the convertible bonds on the maturity date at the redemption amount, which was 100% of the principal amount of the CB 2020 then outstanding. In addition, Total Grace has the right to request the Company to redeem the CB 2020 in cash or convert into the Company’s shares at any time before the maturity date.

On 16 May 2022, the Company and Total Grace entered into the supplemental agreement, pursuant to which the Company and Total Grace conditionally agreed to extend the maturity date by three (3) years from 30 June 2023 to 30 June 2026 by way of execution of the amendment deed.

As at the end of the reporting period, Total Grace confirmed to continue to hold the CB 2020 and not demand for conversion of the CB 2020 to ordinary shares of the Company nor demand for repayment of the amount due to it for not less than twelve months from the reporting date. Accordingly, the CB 2020 were classified under non-current liabilities as at 31 December 2023 and 31 December 2022.

On 13 September 2022, the Group entered into a conditional sale and purchase agreement with Thousand China Investments Limited (“Thousand China”), an indirect wholly-owned subsidiary of South China Holdings Company Limited to acquire the entire share capital of Genius Year Limited and its subsidiaries. The consideration would be settled by way of the convertible bonds (the “CB 2023”) with a nominal value of HK\$89,840,000 to be issued by the Company upon completion (the “Acquisition”). The Acquisition was subsequently completed on 13 January 2023.

The debt component of the CB 2023 was recognised at fair value through profit or loss and the equity component of the CB 2023 was recognised in other reserve of the Company. The CB 2023 has a maturity of 3 years from the date of issue and bears interest of 1% per annum. The CB 2023 contains a right to convert at a maximum of 280,750,000 shares of the Company at the conversion price of HK\$0.32 per share. Subject to the terms and conditions of the CB 2023, Thousand China has the right to convert the CB 2023 into the Shares subject to mutual agreement in writing between Thousand China and the Company at any time during the period commencing from the date of issue of the CB 2023 up to the fifth business days prior to the maturity date by complying with the relevant procedures set out in the terms and conditions of the CB 2023.

The following table illustrates the fair value measurement hierarchy of the Group's convertible bonds:

	Fair value measurement as at 31 December using significant unobservable inputs (Level 3)	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value measurement for convertible bonds:		
CB 2020	50,000	50,000
CB 2023	70,093	–
	<u>120,093</u>	<u>50,000</u>

18. SHARE CAPITAL

Shares

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Issued and fully paid:		
301,277,070 (2022: 301,277,070) ordinary shares	<u>1,085,474</u>	<u>1,085,474</u>

19. COMPARATIVE FIGURES

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 8).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY

The consolidated revenue from continuing operations of the Group for the year ended 31 December 2023 (“Year 2023”) were HK\$67.8 million (2022: HK\$47.9 million), representing an increase of approximately 41.6% as compared to previous year 2022. The increase in revenue was mainly attributable to mild net revenue gain on disposal of investments in trading and investment sector versus net revenue loss of HK\$19.2 million recorded for the prior year. On the cost front, total other expenses from continuing operations, including direct cost of services, staff salaries and benefits, rental and other administrative and office expenses amounted to HK\$132.7 million (2022: HK\$132.7 million).

During the Year 2023, the Group decided to cease its jewellery business for better allocation of the Group’s resources and the consolidated loss from this discontinued operation for the Year 2023 amounted to HK\$2.7 million (2022: HK\$1.4 million).

DIVIDEND

No interim dividend was paid (2022: Nil). The board of directors (the “Board”) of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

BUSINESS REVIEW

Due to a series of global events including tightened monetary policies, interest rate hikes, inflationary pressure, ongoing geopolitical tensions, China property developers’ debt issues, the macro-economic environments were volatile during the Year 2023, which led to a fragile investment sentiment across global markets and impacted business confidence. The Hong Kong stock market was of no exception and turnover in Year 2023 continued to shrink, which directly impacted the performance of the Group. The Group was prudent in its pace of expansion of financial services segment in Year 2023 to minimise any potential risks. The management of the Group would review and adjust business strategies on a regular basis with a prudent and balanced risk management approach so as to cope with the unpredictable economic situation.

Broking

Based on figures provided by Hong Kong Exchanges and Clearing Limited, the average daily turnover in Hong Kong stock market in the year 2022 and year 2023 decreased by 25.1% and 15.9% year-on-year respectively. Total equity fund raised for Year 2023 (through IPO funds or post IPO funds) drop 40.7% from prior year. Amid the volatile market conditions, the Hang Seng Index further dropped from the closing price of 19,781 on 30 December 2022 to 17,047 on 29 December 2023, representing an overall drop of 13.8%. Throughout 2023, market sentiment was impacted by the high interest rate environment and the slower than expected economic recovery in Mainland China. Resulting from the fragile sentiment across global and local markets, the Group's brokerage commission and fee income decreased by approximately 19.6% to HK\$11.4 million for the Year 2023 (2022: HK\$14.2 million). Operating loss increased by approximately 13.0% to HK\$20.8 million for the Year 2023 (2022: HK\$18.4 million).

Margin Financing and Money Lending

The margin financing and money lending market was challenging as creditors had generally tightened loan approval requirements, and valuations of collaterals. With uncertainties as to the economic outlook, the Group continued to adopt stringent loan policies and remained prudent regarding the valuation of collaterals. The Group closely monitored the market situation and adjusted the interest rate and loan-to-value ratio on a timely basis, in order to strike the balance between risk and capital. With the increase in market interest rates, revenue from this segment increased to HK\$12.9 million (2022: HK\$10.9 million). Due to the squeezing of interest spread, gross margin has been narrowed down and the operating loss of this segment amounted to HK\$6.3 million for the Year 2023 (2022: HK\$6.4 million).

Asset and Wealth Management

This business segment recorded revenue of HK\$11.0 million for the Year 2023 (2022: HK\$8.1 million), an increase of 37.1%. Operating loss decreased by approximately 50.2% to HK\$3.0 million (2022: HK\$6.0 million) for the Year 2023. With the launch of two unique brands namely "SC Wealth" and "SC Private" in the last quarter of Year 2022, the Group continued to expand its scope of bespoke financial planning services and range of quality financial products to its high-net-worth clients, supporting clients' needs in financial planning, investment and wealth management. The Group focused resources to expand its talent team and build up the size of assets under management of the Group.

Corporate Advisory and underwriting

The Group has reactivated its corporate advisory business during the Year 2023. Advisory fees will be charged based on the type and size of the transactions, duration of the engagement, the complexity of the transaction and the expected manpower requirements. The Group aims to focus on services such as advice on mergers and acquisitions transactions and independent financial advisory services to listed companies. Revenue generated from financial advisory services amounted to HK\$1.4 million (2022: nil) for the Year 2023.

Trading and investment

The Group's investment portfolio, which was mainly booked under financial assets at fair value through profit or loss, decreased from HK\$122.3 million as at 31 December 2022 to HK\$47.0 million as at 31 December 2023. The major investments holding and their fair value gains or losses are listed below:

Stock code	Name of security	Carrying amount as at 31 December 2023 HK\$'000	Percentage of shareholding interest	Fair value loss during the year HK\$'000
00413	South China Holdings Company Limited	20,721	3.56%	(1,413)
01097	i-CABLE Communications Limited	15,789	6.51%	(1,393)
Others		10,486		(4,426)
		<u>46,996</u>		<u>(7,232)</u>

The Group has positioned its investment portfolio for medium to long term growth in traditional industries, the fair value loss resulting from marking investments to market was HK\$7.2 million for the Year 2023 (2022: HK\$36.4 million). Meanwhile, no material net realised gain or loss was recognised (2022: net realised loss of HK\$19.2 million) for the Year 2023.

Media publications and financial public relation services

The business environment for the media segment similarly faced a challenging environment with the overall economic outlook being uncertain, resulting in very conservative advertising spending of all sectors. This had negatively impact on all pillars of our revenue, from traditional print advertising, to events and digital marketing services sectors. The revenue recognised from the media segment was HK\$25.0 million (2022: HK\$29.0 million) for the Year 2023, a drop of 13.9%. Operating loss (excluding property, plant and equipment, goodwill and intangible assets impairment recognised during the year of HK\$39.9 million (2022: HK\$8.9 million)) of the media segment was HK\$20.2 million (2022: HK\$15.3 million). In view of these painstaking challenges, the media segment was implementing a number of cost-control measures in a bid to reduce operating expenses to further reduce loss for this segment.

Property investment

During the Year 2023, office leasing momentum remained slow reflecting high economic uncertainty with subdued demand and increased availability (caused by oversupply and higher vacancies on Hong Kong Island, especially in Central and its nearby). Occupiers are expected to retain a conservative stance towards leasing in the short term, with lease renewals, renegotiations, right sizing and enhancing lease flexibility among choices available to them. Proactive measures were implemented to maintain a relatively higher occupancy level. The gross rental income for the Year 2023 increased to HK\$5.6 million (2022: HK\$4.6 million). As at 31 December 2023, the fair value of the investment properties revalued at HK\$509.4 million. No fair value change was reported for the Year 2023 (2022: revaluation loss of HK\$16.8 million).

Jewellery

Nanjing South China Baoqing Jewellery Co., Ltd., a non-wholly-owned subsidiary of the Company, was principally engaged in jewellery operation business in Nanjing, the PRC. During the Year 2023, the Group decided to cease its jewellery operation business after periodic performance assessment for better allocation of the Group's resources. Revenue for the Year 2023 decreased to HK\$11.2 million (2022: HK\$20.5 million) and net loss for the Year 2023 amounted to HK\$2.7 million (2022: HK\$1.4 million).

Other business

In January 2023, the Group completed the acquisition of the entire share capital of Genius Year Limited and its subsidiaries (“Genius Year Group”). The consideration was settled by way of issuance of convertible bonds with a nominal value of HK\$89.8 million. Genius Year Limited indirectly holds 100% interests in 65 parcels of forestry land situated in Chongyang County, Xianning City, Hubei Province, the PRC. with a total area of approximately 139,216 mu. It is believed that the investment in the Genius Year Group will provide a good opportunity for the Group to widen its businesses to the forestry business in the medium term. No revenue was recognised for the Year 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had obtained short term credit facilities which were reviewed annually and a long term mortgage loan from banks. The banking facilities for the share margin finance operations were secured by the securities of our margin clients and the Group. The outstanding credit facilities were guaranteed by the Company. The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings and convertible bonds, less cash and bank balances. Capital represents total equity. The gearing ratio as at 31 December 2023 was approximately 64.8% (2022: 54.3%). The Group had a cash balance of HK\$52.0 million as at 31 December 2023 (2022: HK\$52.9 million), representing a decrease of 1.7%. Taking into account the financial resources available including the available banking facilities and credit facility provided by a substantial shareholder who is also a director of the Company and another director of the Company, the internally generated funds from operations, proceeds from disposal of assets, and cash and bank balances of the Group, the Board considers that the Group has sufficient working capital base to meet its operational needs.

CAPITAL STRUCTURE

There was no material change in Group’s capital structure during the Year 2023 as compared to that set out in the 2022 annual report.

CHARGES ON ASSETS

As at 31 December 2023, the Group’s investment properties and certain listed securities held in trading and investment portfolio were pledged to banks for banking facilities.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

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

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was 146 (2022: 181). Total employee's cost from continuing and discontinued operations (including directors' emoluments) amounted to approximately HK\$51.1 million for the Year 2023 (2022: HK\$52.7 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised external trainings are offered to employees. Continuous professional trainings will continue to be arranged for staff for maintaining their professional standards for providing various regulated activities under the Securities and Futures Commission (the "SFC"). Performance of the employees is normally reviewed on an annual basis with adjustments if necessary, for keeping the competitiveness in compensation. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Selected employees may also be granted share option and share award under the share option scheme and share award scheme adopted by the Company.

PROSPECTS

Looking ahead to 2024, some signs of improving sentiment are emerging on expectations of slower inflation in major economies and the possible end of the monetary tightening cycle by central banks. However, uncertainties will persist, including the pace of Mainland China's economic recovery and the continued challenges arising from ongoing geopolitical developments.

Financial Services

The wealth management segment remains a key strategic area for growth in our business. We continue to seek support from key business partners with our new brands "SC Private" and "SC Wealth" despite the lackluster market environment. Apart from strengthening our distribution and client reach, we will continue our efforts in diversifying and expanding our product suite.

In March 2023, South China Securities Limited ("SCSL"), a wholly-owned subsidiary of the Company, received a formal notification from the SFC being the approval on the application for engagement in virtual asset introducing brokerage ("VA-related") activities, subject to compliance by SCSL with licensing conditions imposed on the license of SCSL by the SFC. The Group believes that VA-related services are an emerging business that will provide clients with more diversified investment options and can offer vitality to the traditional Hong Kong financial market.

Despite the competitive and volatile operating environment in the securities industry, the Group will continue to pursue long-term business restructuring and profitability growth in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

Media

For the media publications and financial public relation services segment, the Group will proactively respond to the evolution of the current epoch by fine-tuning its business development. In view of the painstaking challenges, the media division will keep implementing a number of cost-cutting measures to further reduce the operating expenses for this segment.

Despite the uncertainties and challenges casted by the macroeconomic and political factors, the Group will continue to streamline its businesses, focus on the capital-light business as the core, and build an integrated financial service platform to improve the performance of the Group so as to pursue a satisfactory return to the shareholders of the Company (the “Shareholders”).

FINAL DIVIDEND

The Board resolved not to declare the payment of a final dividend for the Year 2023 (2022: Nil).

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) throughout the year ended 31 December 2023, save for the deviation of the code provisions C.1.6 and F.2.2 of the CG Code set out below as they had other business engagements:

1. Mr. Ng Hung Sang, an Executive Director and the Chairman of the Board of the Company, Hon. Raymond Arthur William Sears, K.C. (“Mr. Sears”) and Mr. Tung Woon Cheung Eric, Independent Non-executive Directors of the Company were unable to attend an extraordinary general meeting of the Company held on 11 January 2023. Ms. Ng Yuk Mui Jessica, the Executive Vice Chairman and Chief Executive Officer of the Company took the chair of the aforesaid meeting and made available to answer questions together with other attended directors of the Company; and
2. Mr. Sears and Mr. Lam Douglas Tak Yip, SC, Independent Non-executive Directors of the Company were unable to attend an annual general meeting of the Company held on 20 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

AUDIT COMMITTEE

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

The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee in conjunction with the Company's external auditor. The Audit Committee was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the preliminary announcement.

ANNUAL GENERAL MEETING

The Company's 2024 annual general meeting (the "2024 AGM") will be held on Thursday, 27 June 2024, at 11:00 a.m.. The notice of the 2024 AGM will be published on the websites of the Stock Exchange and the Company and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of the Shareholders to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Friday, 21 June 2024 to Thursday, 27 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, all duly completed and signed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Thursday, 20 June 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.sctrade.com) and the Stock Exchange (www.hkexnews.hk). The 2023 annual report of the Company will be dispatched to the Shareholders and available on the same websites in due course.

By Order of the Board
South China Financial Holdings Limited
南華金融控股有限公司
Ng Hung Sang
Chairman and Executive Director

Hong Kong, 27 March 2024

As at the date of this announcement, the directors of the Company are:

Executive Directors

Mr. Ng Hung Sang
Ms. Cheung Choi Ngor
Ms. Ng Yuk Mui Jessica
Mr. Ng Yuk Yeung Paul

Independent Non-executive Directors

Mrs. Tse Wong Siu Yin Elizabeth
Hon. Raymond Arthur William Sears, K.C.
Mr. Tung Woon Cheung Eric
Mr. Lam Douglas Tak Yip, SC