



# SOUTH CHINA HOLDINGS COMPANY LIMITED

## 南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

### INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “Board” or the “Directors”) of South China Holdings Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
<b>Revenue</b>	2	<b>1,137,892</b>	2,199,680
Cost of sales		<b>(1,013,031)</b>	(1,896,036)
<b>Gross profit</b>		<b>124,861</b>	303,644
Other income and gains, net	3	<b>102,975</b>	54,364
Net fair value gain/(loss) on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		<b>5,352</b>	(1,863)
Selling and distribution expenses		<b>(25,463)</b>	(40,764)
Administrative expenses		<b>(153,008)</b>	(189,785)
<b>Profit from operations</b>	2 & 4	<b>54,717</b>	125,596
Finance costs	5	<b>(138,269)</b>	(88,644)
Share of losses of associates		<b>(150)</b>	(192)
Share of losses of joint ventures		<b>-</b>	(11)
<b>(Loss)/profit before tax</b>		<b>(83,702)</b>	36,749
Income tax (expenses)/credit	6	<b>(613)</b>	982
<b>(Loss)/profit for the period</b>		<b>(84,315)</b>	37,731

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****Six months ended 30 June**

	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000

*Notes*

Attributable to:

Equity shareholders of the Company	<b>(79,281)</b>	46,693
Non-controlling interests	<b>(5,034)</b>	(8,962)

	<b><u>(84,315)</u></b>	<u>37,731</u>
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**(Loss)/earnings per share**

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**Basic**

	<b><u>HK(0.6) cents</u></b>	<u>HK0.4 cents</u>
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**Diluted**

	<b><u>HK(0.6) cents</u></b>	<u>HK0.4 cents</u>
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## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 30 June 2023 (Unaudited) HK\$'000</b>	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>453,545</b>	528,258
Investment properties	9	<b>9,376,129</b>	9,660,128
Construction in progress		<b>157</b>	164
Investments in associates		<b>107</b>	257
Investments in joint ventures		<b>285</b>	49
Bearer plants		<b>19,791</b>	21,385
Other non-current assets		<b>217,340</b>	133,294
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>10,067,354</b>	10,343,535
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>951,230</b>	965,784
Properties under development		<b>238,483</b>	246,817
Trade receivables	10	<b>545,466</b>	343,591
Prepayments, deposits and other receivables		<b>1,151,021</b>	1,161,552
Financial assets measured at fair value through profit or loss		<b>12,737</b>	12,371
Amounts due from associates		<b>5,145</b>	5,145
Amounts due from related parties		<b>20,797</b>	19,125
Tax recoverables		<b>1,738</b>	1,044
Cash and bank balances		<b>434,682</b>	438,262
		<hr/>	<hr/>
		<b>3,361,299</b>	3,193,691
Non-current assets classified as held for sale	9	<b>46,242</b>	–
		<hr/>	<hr/>
<b>Total current assets</b>		<b>3,407,541</b>	3,193,691
		<hr/>	<hr/>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at <b>30 June 2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	As at 31 December 2022 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	11	553,968	576,316
Other payables and accruals		675,929	696,472
Interest-bearing bank borrowings		1,983,367	1,342,765
Lease liabilities		42,818	55,165
Amounts due to non-controlling shareholders of subsidiaries		10,159	10,423
Tax payables		83,271	90,347
<b>Total current liabilities</b>		<b>3,349,512</b>	2,771,488
<b>NET CURRENT ASSETS</b>		<b>58,029</b>	422,203
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>10,125,383</b>	10,765,738
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		2,006,279	2,261,683
Lease liabilities		272,351	311,122
Amounts due to non-controlling shareholders of subsidiaries		7,941	7,941
Amounts due to related parties		600,155	566,374
Other non-current liabilities		52,824	55,037
Deferred tax liabilities		1,030,825	1,074,376
<b>Total non-current liabilities</b>		<b>3,970,375</b>	4,276,533
<b>NET ASSETS</b>		<b>6,155,008</b>	6,489,205
<b>CAPITAL AND RESERVES</b>			
Share capital	12	134,413	134,413
Reserves		5,719,150	6,028,976
Total equity attributable to equity shareholders of the Company		5,853,563	6,163,389
Non-controlling interests		301,445	325,816
<b>TOTAL EQUITY</b>		<b>6,155,008</b>	6,489,205

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital and share premium (Unaudited) HK\$'000	Shares held for share award scheme (Unaudited) HK\$'000	Treasury shares (Unaudited) HK\$'000	Other reserves (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Attributable to owners of the Company (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2023	1,616,590	(61,075)	(10,837)	(1,126,882)	5,745,593	6,163,389	325,816	6,489,205
Total comprehensive income for the period	-	-	-	(230,545)	(79,281)	(309,826)	(24,371)	(334,197)
At 30 June 2023	<u>1,616,590</u>	<u>(61,075)</u>	<u>(10,837)</u>	<u>(1,357,427)</u>	<u>5,666,312</u>	<u>5,853,563</u>	<u>301,445</u>	<u>6,155,008</u>
At 1 January 2022	1,616,590	(61,075)	(10,837)	(653,205)	5,662,158	6,553,631	343,964	6,897,595
Total comprehensive income for the period	-	-	-	(284,341)	46,693	(237,648)	(30,949)	(268,597)
At 30 June 2022	<u>1,616,590</u>	<u>(61,075)</u>	<u>(10,837)</u>	<u>(937,546)</u>	<u>5,708,851</u>	<u>6,315,983</u>	<u>313,015</u>	<u>6,628,998</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

### Six months ended 30 June

2023	2022
(Unaudited)	(Unaudited)
<i>HK\$'000</i>	<i>HK\$'000</i>

#### Cash flows from operating activities

Cash (used in)/generated from operations	(242,685)	50,306
Hong Kong Profit Tax paid	(3,298)	(2,229)
The People's Republic of China ("PRC") enterprise income tax paid	(4,796)	(6,426)

#### Net cash (used in)/generated from operating activities

(250,779)	41,651
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#### Cash flows from investing activities

Purchase of items of property, plant and equipment	(8,263)	(15,269)
Other cash flows arising from investing activities	(7)	58,157

#### Net cash (used in)/generated from investing activities

(8,270)	42,888
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#### Cash flows from financing activities

New bank loans	1,366,530	1,711,355
Repayment of bank loans	(972,835)	(1,542,931)
Interests and other borrowing costs paid	(108,475)	(61,162)
Capital element of lease rentals paid	(38,652)	(44,943)
Interest element of lease rentals paid	(11,652)	(14,986)
Other cash flows arising from financing activities	26,465	(91,159)

#### Net cash generated from/(used in) financing activities

261,381	(43,826)
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Net increase in cash and cash equivalents	2,332	40,713
Cash and cash equivalents at beginning of the period	406,578	592,909
Effect of foreign exchange rate changes, net	(6,281)	(11,696)

#### Cash and cash equivalents at end of the period

<u>402,629</u>	<u>621,926</u>
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#### Analysis of balances of cash and cash equivalents

Cash and bank balances	434,682	653,918
Less:		
Restricted bank deposits	(32,053)	(22,130)
Bank overdrafts	-	(9,862)

#### Cash and cash equivalents as stated in the condensed consolidated cash flow statement

<u>402,629</u>	<u>621,926</u>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“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 of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They were authorised for issue on 22 August 2023.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out below.

These interim financial statements should be read, where relevant, in conjunction with the 2022 annual financial statements of the Group.

#### **New/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and amendments to HKFRSs**

The HKICPA has issued a number of amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has applied the following amendments to HKFRSs issued by the HKICPA to these interim financial statements for the current accounting period:

Amendments to HKAS 1 and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in these interim financial statements.

#### **Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates**

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group’s approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

#### **Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction**

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.



## 2. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's consolidated revenue and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2023 and 2022 is as follows:

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Group	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>Segment revenue</b>										
External sales	<u>1,040,784</u>	<u>2,014,946</u>	<u>96,410</u>	<u>184,657</u>	<u>698</u>	<u>77</u>	<u>-</u>	<u>-</u>	<u>1,137,892</u>	<u>2,199,680</u>
<b>Segment results</b>	<b>(9,390)</b>	<b>107,679</b>	<b>32,507</b>	<b>33,463</b>	<b>67,681</b>	<b>(13,792)</b>	<b>(36,081)</b>	<b>(1,754)</b>	<b>54,717</b>	<b>125,596</b>
Reconciliation:										
— Share of losses of associates	(185)	(192)	-	-	-	-	35	-	(150)	(192)
— Share of losses of joint ventures	-	-	-	-	-	-	-	(11)	-	(11)
— Finance costs									(138,269)	(88,644)
<b>(Loss)/profit before tax</b>									<u><b>(83,702)</b></u>	<u><b>36,749</b></u>

By geographical location<sup>\*</sup>:

	Revenue		Contribution to profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
The PRC including Hong Kong and Macau	<b>131,160</b>	230,897	<b>65,145</b>	23,310
United States of America ("USA")	<b>594,463</b>	1,353,565	<b>(3,918)</b>	69,681
Europe	<b>286,021</b>	411,963	<b>(4,642)</b>	21,890
Japan	<b>7,332</b>	8,916	<b>(128)</b>	476
Others	<b>118,916</b>	194,339	<b>(1,740)</b>	10,239
	<u><b>1,137,892</b></u>	<u>2,199,680</u>	<u><b>54,717</b></u>	<u>125,596</u>

\* Revenue by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

The following table presents the assets and liabilities information for the Group's business segments as at the reporting period end date:

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Group	
	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<b>Segment assets</b>	<b>1,700,812</b>	<b>1,539,307</b>	<b>11,365,821</b>	<b>11,629,228</b>	<b>186,143</b>	<b>222,953</b>	<b>219,989</b>	<b>144,388</b>	<b>13,472,765</b>	<b>13,535,876</b>
Investments in associates									107	257
Investments in joint ventures									285	49
Tax recoverables									1,738	1,044
<b>Total assets</b>									<u><b>13,474,895</b></u>	<u><b>13,537,226</b></u>
<b>Segment liabilities</b>	<b>2,729,351</b>	<b>2,418,810</b>	<b>2,686,809</b>	<b>2,682,442</b>	<b>177,952</b>	<b>190,266</b>	<b>611,679</b>	<b>591,780</b>	<b>6,205,791</b>	<b>5,883,298</b>
Tax payables									83,271	90,347
Deferred tax liabilities									1,030,825	1,074,376
<b>Total liabilities</b>									<u><b>7,319,887</b></u>	<u><b>7,048,021</b></u>

### 3. OTHER INCOME AND GAINS, NET

During the six months ended 30 June 2023, a gain on disposal of subsidiaries of approximately HK\$78,197,000 (six months ended 30 June 2022: Nil) and a gain on disposal of other non-current assets of approximately HK\$980,000 (six months ended 30 June 2022: HK\$32,678,000) have been recognised.

### 4. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>911,102</b>	1,725,076
Cost of completed properties sold	<b>7,970</b>	65,996
	<b><u>919,072</u></b>	<b><u>1,791,072</u></b>
Depreciation:		
— owned property, plant and equipment	<b>18,924</b>	25,245
— bearer plant	<b>763</b>	844
— right-of-use assets	<b>39,363</b>	42,993
	<b><u>59,050</u></b>	<b><u>69,082</u></b>

### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank loans, overdrafts and other borrowings	<b>126,617</b>	74,935
Interest on lease liabilities	<b>11,652</b>	14,986
Less: Amount capitalised	<b>-</b>	(1,277)
	<b><u>138,269</u></b>	<b><u>88,644</u></b>

### 6. INCOME TAX

Income tax comprises current tax and deferred tax.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. PRC Corporate Income Tax has been provided at the rate of 25% (six months ended 30 June 2022: 25%) on estimated assessable profits arising in the PRC. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

Deferred tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## 7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after deducting shares held for the Company's employees' share award scheme and treasury shares.

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares as used in the basic (loss)/earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on vesting, and the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The (loss)/profit and number of shares used in the calculations of basic and diluted (loss)/earnings per share are as follow:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(Loss)/earnings</b>		
(Loss)/profit attributable to equity shareholders of the Company used in basic and diluted earnings per share calculation	<b><u>(79,281)</u></b>	<b><u>46,693</u></b>
	<b>Number of shares</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>'000</b>	<b>'000</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for share award scheme during the period used in the basic (loss)/earnings per share calculation	<b>12,982,892</b>	12,982,892
Effect of redeemable convertible preference shares	-	219,951
Effect of shares held for the share award scheme	<u>-</u>	<u>206,161</u>
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	<b><u>12,982,892</u></b>	<b><u>13,409,004</u></b>

The Company's share options have no dilution effect for the six months ended 30 June 2023 and 2022 as the exercise prices of the Company's share options were higher than the average market price of the shares in both periods.

Diluted loss per share equals to basic loss per share for the six months ended 30 June 2023 because the potential ordinary shares outstanding were anti-dilutive.

## 9. INVESTMENT PROPERTIES AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the six months ended 30 June 2023, certain properties of the Group with an aggregated value of approximately HK\$46,242,000 have been transferred from investment properties to non-current assets classified as held for sale.

## 10. TRADE RECEIVABLES

Trade receivables of approximately HK\$545,466,000 as at 30 June 2023 (as at 31 December 2022: HK\$343,591,000), substantially aged within six months, are stated net of loss allowance.

Specific loss allowance is recognised when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from period of one to three months depending on a number of factors including trade practice, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by senior management.

## 11. TRADE PAYABLES

Trade payables of approximately HK\$553,968,000 as at 30 June 2023 (as at 31 December 2022: HK\$576,316,000) are substantially aged within six months.

## 12. SHARE CAPITAL

	<b>As at 30 June 2023 (Unaudited) HK\$'000</b>	As at 31 December 2022 (Audited) HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<b>200,000</b>	200,000
3,000,000,000 redeemable convertible preference shares of HK\$0.02 each ( <i>Note</i> )	<b>60,000</b>	60,000
Total authorised capital	<b><u>260,000</u></b>	<u>260,000</u>
Issued and fully paid:		
13,221,302,172 (2022: 13,221,302,172) ordinary shares of HK\$0.01 each	<b>132,213</b>	132,213
109,975,631 (2022: 109,975,631) redeemable convertible preference shares of HK\$0.02 each	<b>2,200</b>	2,200
Total issued and fully paid capital	<b><u>134,413</u></b>	<u>134,413</u>

*Note:* The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders of the redeemable convertible preference shares are entitled to a pro-rata share of any dividend or distribution declared by the Board, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares do not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meeting of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets belong to and shall be distributed on a pari passu basis among the holders of the ordinary shares.

There was no movement in the number of issued ordinary shares and redeemable convertible preference shares of the Company during the six months ended 30 June 2023 and 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded a revenue of approximately HK\$1,138 million (2022: approximately HK\$2,200 million) for the six months ended 30 June 2023 (the “Period”), representing a 48% decrease as compared to the corresponding period in 2022. Loss after tax was approximately HK\$84.3 million for the Period as compared with profit after tax of approximately HK\$37.7 million for the corresponding period in 2022. The significant drop in revenue having a direct impact on the operating results was attributable to (i) decrease in sales orders of toys products received from the major customers during the Period for the major customers adopted prudent ordering strategies after aggressive approach to pull in their respective shipment schedules in the first half year of 2022 for avoidance of deadlock in logistics that they suffered in 2021; (ii) increase in finance costs mainly due to increase in the Hong Kong Interbank Offered Rate during the Period; and (iii) decrease in gain on disposal of debentures of berths recognised during the Period. The impacts of above outweighed the gain on disposal of subsidiaries of approximately HK\$78.2 million recognised during the Period. Despite the loss was recorded during the Period, the overall financial, business and trading positions of the Group remain healthy.

Loss per share attributable to equity shareholders of the Company for the Period was HK0.6 cents (2022: earning per share of HK0.4 cents).

### BUSINESS REVIEW

The principal business segments of the Group are trading and manufacturing, property investment and development, and agriculture and forestry.

#### **Trading and Manufacturing**

The trading and manufacturing segment mainly comprises (i) OEM production of toys products, (ii) trading of footwear products and (iii) sales of branded ball products. The segment recorded a 48% decrease in revenue to approximately HK\$1,041 million (2022: approximately HK\$2,015 million) and an operating loss of approximately HK\$9.4 million for the Period as compared with an operating profit of approximately HK\$107.7 million for the corresponding period in 2022.

#### **(i) OEM toys production**

The OEM toys operation generated revenue of approximately HK\$924 million (2022: approximately HK\$1,852 million) for the Period, representing a 50% decrease as compared to the corresponding period in 2022.

Revenue had been boosted up to a high level during the first half year of 2022 as customers had pulled in their shipment schedule earlier in April after experiencing the logistic deadlock in 2021. During the Period, customers’ shipment schedule returned to normal and peak season started in June as 2021 and before. It inevitably resulted in a decrease in revenue compared to the corresponding period in 2022.

A series of severe shocks struck the world economy continuously weighed heavily on the world economy in the first half of 2023. Persistently high inflation prompted aggressive monetary policies in many countries, which unleashed an erosion of income. Rapid interest rate hikes have had global spillover effects and high interest rates have weakened consumer confidence globally. Resulting from the foregoing backdrop as well as geopolitical tensions, key customers of the Group adopted prudent ordering strategies which tapered overall demands for toys products during the Period. Therefore, the Group inevitably experienced a significant decline in revenue in this business sector.

Despite the inevitable downturn in demand for toys products during the Period, the Group continued to strive to control its costs by diversifying its production capacities and shifting its supply chain from Guangdong province to Guangxi province of Mainland China.

***(ii) Trading of footwear products***

During the Period, revenue from the footwear trading operation decreased by 29% to approximately HK\$108.0 million (2022: approximately HK\$152.7 million). The Group managed to achieve its profit by diversification of production in such low-cost countries as Cambodia and Bangladesh for setting off the impact of decrease in revenue resulting from the downturn in demand. The overall operating profit of this segment remained stable at approximately HK\$5.6 million (2022: approximately HK\$5.5 million).

***(iii) Sales of branded ball products***

During the Period, revenue from sales of the branded ball products decreased by 12% to approximately HK\$6.4 million (2022: approximately HK\$7.3 million), merely due to the effect of Renminbi (“RMB”) depreciation. The overall performance of this segment remained stable.

**Property Investment and Development**

During the Period, revenue from the property investment and development segment significantly decreased by 48% to approximately HK\$96.4 million (2022: approximately HK\$184.7 million). The operating profit of this segment, including fair value changes on investment properties, was approximately HK\$32.5 million for the Period (2022: approximately HK\$33.5 million). This segment generated an operating profit, excluding the fair value changes on investment properties, of approximately HK\$27.2 million (2022: approximately HK\$35.3 million).

The Group has a property investment portfolio with total gross floor area (“GFA”) of approximately 630,000 sq.m. in China and approximately 26,000 sq.m. (approximately 280,000 sq.ft.) in Hong Kong. The investment properties for lease in China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

Despite the lifting of zero-COVID policy by the central government in late 2022, the rental income under the Group’s leasing portfolio in Nanjing, Shenyang and Tianjin during the Period was continuously affected by the lower rental rates offered to tenants earlier in previous years. The Group’s rental income generated from its properties in Hong Kong was facing to the similar condition during the Period. Recovery of rental rates and occupancy in retail and commercial property market was not as prominent as expected during the Period. On the other hand, depreciation of RMB led to adverse impact on the rental income reported by the leasing portfolio in China resulting from currency exchange. The rental income generated from this segment during the Period was HK\$86.5 million, representing a decrease of approximately 13% as compared with the corresponding period in 2022.

Compared with the leasing market, property market suffered from a much deep hit from the COVID-19 restrictions in the past three years. After the end of zero-COVID policy, investors remain cautious and most of the potential buyers continue taking a very prudent approach by delaying their decision of investment due to market uncertainty.

Currently, approximately 60% of the total saleable areas of residential towers and serviced apartment of the Group's flagship property project namely "Central Square" were sold. Given Central Square is located in a prime residential area in Shenyang, the management is cautiously optimistic on its sales and rental contributions in 2023 and onwards.

### **Agriculture and Forestry**

During the Period, revenue increased to approximately HK\$698,000 (2022: approximately HK\$77,000). There was an operating profit of HK\$67.7 million during the Period, including a gain on disposal of subsidiaries amounting to HK\$78.2 million recognised during the Period. By excluding the disposal gain, the operating loss for the Period decreased by approximately 24% to approximately HK\$10.5 million (2022: approximately HK\$13.8 million). The total value of the bearer plants balance decreased from approximately HK\$21.4 million as at 31 December 2022 to approximately HK\$19.8 million as at 30 June 2023, representing a decrease of 7%, which was mainly due to the depreciation of the bearer plants and depreciation of RMB during the Period.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2023, the Group had a current ratio of 1.0 and a gearing ratio of 33% (31 December 2022: 1.2 and 35%, respectively). The gearing ratio is computed by comparing the Group's long-term bank borrowings of HK\$2,006 million to the Group's equity of HK\$6,155 million. The Group's operations and investments continued to be financed by internal resources and bank borrowings.

### **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES**

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to RMB and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The Group manages foreign exchange risk by closely monitoring the movements of the foreign currency rates and enters into forward contracts whenever appropriate.

### **CAPITAL STRUCTURE**

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



## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

1. On 13 September 2022, Thousand China Investments Limited (“Thousand China”), an indirect wholly-owned subsidiary of the Company, as vendor and Power Path Global Limited (“Power Path”), a wholly-owned subsidiary of South China Financial Holdings Limited (“SCFH”), as purchaser, entered into a sale and purchase agreement, pursuant to which Thousand China conditionally agreed to dispose of 100% equity interest in Genius Year Limited (“Genius Year”), an indirect wholly-owned subsidiary of the Company, to Power Path and Power Path conditionally agreed to purchase 100% equity interest in Genius Year, at a total consideration of HK\$89,840,000 which was settled by way of convertible bonds issued by SCFH upon completion, in accordance with the terms and subject to the conditions set out in the sale and purchase agreement. This transaction was approved by independent shareholders at the extraordinary general meeting held on 11 January 2023 and completed on 13 January 2023. The gain resulted from the disposal of subsidiaries was approximately HK\$78,197,000, which have been recognised to the consolidated statement of profit or loss during the Period. Details of the disposal were set out in the Company’s announcement dated 13 September 2022, 28 September 2022, 31 October 2022 and 25 November 2022 and circular dated 16 December 2022.
2. On 30 June 2023, Wilken Footwear Limited (“Wilken Footwear”), an indirect wholly-owned subsidiary of the Company, as vendor and the Company as a vendor guarantor entered into a sale and purchase agreement with 昆山濱湖新城產業科創發展有限公司 (the “Purchaser”), an independent third party, pursuant to which the Purchaser has agreed to acquire, and the Wilken Footwear has agreed to sell 100% equity interest in 昆山滙強鞋業有限公司 (Kunshan Wilken Footwear Company Limited), an indirect wholly-owned subsidiary of the Company, at the consideration of RMB61,500,000 (equivalent to approximately HK\$68,333,000). Up to the date of this report, this transaction is not yet complete. Details of the disposal were set out in the Company’s announcement dated 30 June 2023.

Save as aforesaid, there was no other material acquisition or disposal of subsidiaries or associated companies during the Period.

## **CONTINGENT LIABILITIES**

On 6 July 2023, an indirect wholly-owned subsidiary of the Company entered into a bank loan facility under which certain completed properties for sale were pledged with the bank.

A subsidiary of the Company in China provided guarantees to certain financial institutions in an aggregate amount of approximately RMB171 million (equivalent to approximately HK\$185 million) on behalf of independent purchasers of premises of the Central Square in relation to which the related premises ownership certificates had not been issued as at 30 June 2023. The said guarantees would be released upon the issuance of the premises ownership certificate to those buyers.

Save as aforesaid, there was no other material change in the Group’s pledge of assets and contingent liabilities.



## **EMPLOYEES**

As at 30 June 2023, the total number of employees of the Group was approximately 14,126 (30 June 2022: 21,578).

Employees' costs (including directors' emoluments) amounted to approximately HK\$374.6 million for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$682.9 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidised training programs are offered to employees of the Group. The Group also operates share option and share award schemes, and may, at its discretion, grant share option or award shares to its employees under respective schemes.

Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance.

## **PROSPECTS**

The second half of 2023 is on the one hand full of challenges and uncertainties, but on the other hand it is full of opportunities. The relationships between the USA and China as well as the Russia-Ukraine war continue casting uncertainties on the business environment. The market has been expected that the Federal Reserve of the USA would pause its rate hikes after having conducted the "final" hike in July 2023, and then the Federal Reserve would start to cut the Fed-funds rate. However, the recovery takes time given monetary tightening by the major central banks in the world has pulled too much liquidity out of markets and generated significant negative spillover effects on the global economy. This would directly affect the overall business performance of the Group. On the other hand, the China-Hong Kong borders reopening in early 2023 after relaxation of COVID-19 measures in China and the policies adopted by central government for achievement of the target growth of around 5% in the economy would be the focal points as they would have a direct and positive impact on the business performance of various segments of the Group. New customers to be captured by the Group from its vulnerable competitors who are knocked out in this critical period are expected to bring along new opportunities to our toys and shoes products business in the second half of 2023.

### **Trading and Manufacturing**

#### ***OEM toys production***

Given the market uncertainties, the Group will keep controlling its manufacturing costs and expenses by re-engineering actions, including expansion of production in Guangxi province and scaling down of production in such higher cost areas such as Shenzhen and Dongguan in Guangdong province, reviewing the simplification and consolidation of operational procedures and the use of automation for maintaining its competitiveness and sustainability, and continuing to identify the needs of key customers for providing unique one-stop integral solutions and product development services for gaining a competitive edge and reinforcing its industry-acclaimed recognition.

The long-standing customer loyalty and world-class engineering capability of the Group's OEM toys operation has contributed to the Group's solid performance, and secured the continuous orders from customers. It was a traditional business trend of the toys business segment of the Group before the pandemic that orders from loyal customers were focusing in the second half of each financial year for catering huge demands in Christmas and New Year. Given populations in a large number of nations have high level of immunity, the impact of Covid-19 variants on the economy has become mild and by comparing with outbreak of Covid-19 and its variants from 2019 to 2022. It is expected that the said traditional business cycle would be back to normal, i.e. orders to be received in the second half of 2023 would likely to be more by comparing with those received in the first half of 2023. Therefore, the performance of this business segment in the second half of 2023 is expected to be improved.

### ***Trading of footwear products***

Apart from maintaining good and long-term relationship with loyal clients, the Group will expand its client base by engaging some referrers for securing more orders of footwear products having higher profit margin. The Group will continue to source various production bases out of China for controlling the production costs

## **Property Investment and Development**

### ***Property Investment***

Resulting from the uplifting of COVID-19 curbs by the central government and the return of tourists upon relaxation of travel barriers, it is expected that the economy of China will rebound, especially the retail business which is the core business of the Group's leasing segment. After the transformation of Avenue of Stars ("AOS"), a renowned mall in Shenyang, it is ready to grasp the uptrend of economic growth after COVID-19 by anchoring different types of retailers. In addition to AOS, the Group is striving to improve the occupancy rate of the retail podium in Central Square. The night market, which comprised of different types of retailers offering a variety of products, has been re-opened outside the Central Square in March 2023 after its temporary closure during the winter, and it has archived to bring along pedestrian flow around the Central Square. With the successful experience of last year, it is expected that the night market will further enhance the business atmosphere of Central Square and its vicinity, which in turn will attract more prospective tenants and improve the rental income. In addition, the relaxed restriction on cross-region movements and travels will be a catalyst to speed up the recovery of household consumption and retail spending. The border reopening is expected to bring along a more prominent improvement to the leasing market in Hong Kong.

### ***Property Development***

The Group is cautiously optimistic on the sales of residential units of its Central Square as it is located in one of the prime residential areas in Shenyang and having the advantages of direct accessibility to the subway and a busy pedestrian street anchored by restaurants and retail stores.

Preliminary works of the second phase of Central Square which is directly facing to the first phase will start upon settlement of the remaining settlers, which was affected by the COVID-19 controlling measures. The second phase is also a mixed development project, and its positioning will be thematically in line with the first phase.

The Group will continue to study conversion of usage of some other land bank assets from industrial to commercial in Nanjing and Tianjin for the purposes of increasing both the land value and return from development of such land after conversion. On the other hand, the central government had introduced a batch of development projects which is expected to bring along business opportunities to the land bank assets in Nanjing and Shenzhen. The Group will revisit the business plan on those land bank assets in affected areas and take proactive approach in response to the progress of the development plan.

## **Agriculture and Forestry**

The Group currently has long-term leases of over 290,000 mu (approximately 193 million sq.m.) of woodland, farmland, fishpond and lake space in various major provinces in China, and is focusing on the plantation of fruits and crops such as apples, winter dates, peaches, pears and corns. The Group will continue to explore plantation opportunities of high profit margin species and focus on improving harvest, sales distribution channels, utilisation of resources and cost control for improving the operating results of this segment.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The following section lists out the key risks and uncertainties facing the Group. It is a non-exhaustive list and there may be other risks and uncertainties additional to the key risk areas outlined below.

### **Risks relating to Trading and Manufacturing**

#### ***Macroeconomic environment***

The Group designs and manufactures a wide variety of toys, shoes and other leather products. Our customers sell such products worldwide to the end customers. The Group's financial performance, therefore, hinges on the level of discretionary consumer spending in the markets in which our products are eventually sold. Recessions, credit crises and other economic downturns can result in decrease in consumer disposable income and lower consumer confidence. These factors can reduce orders from our customers.

#### ***Cost increase***

Cost increases, whether resulting from rising costs of materials, transportation, minimum wage legislations in Mainland China or compliance with existing or future regulatory requirements could impact the profit margins realised by the Group on the sale of its products. In addition, the Group could be the subject of future product liability suits or product recalls, which could harm our business.

### **Risks relating to Property Investment and Development**

#### ***Risks associated with the property market in Mainland China***

A significant part of the Group's property portfolio is located in Mainland China and is therefore subject to the risks associated with Mainland China's property market. The Group's operations in Mainland China may also be exposed to the risks of policy change, RMB exchange rate change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations.

#### ***Risks associated with the property market in Hong Kong***

The state of Hong Kong's economy and property market, legislative and regulatory changes, government policies and political conditions also have an effect on the Group's revenue derived from the Group's property portfolio in Hong Kong. The government may introduce property cooling measures from time to time. Rental levels in Hong Kong are subject to competition arising from supply in the primary sector.

## Risks relating to Agriculture and Forestry

### *Risk associated with natural disasters or adverse weather conditions*

The Group's agriculture and forestry operations are susceptible to natural disasters and adverse weather conditions such as droughts, floods and earthquakes, and environmental hazards. The occurrence of any of the above events in or in close proximity to our cultivation area may cause a reduction or delay in our production output, which may adversely affect the Group's business and operating performance.

The Group conducts regular reviews and focuses on mitigating the risk exposure of each business unit.

## INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

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

### Long positions in ordinary shares of the Company

Name of Director(s)	Number of ordinary shares held			Total number of ordinary shares held	Approximate percentage of shareholding to total issued ordinary shares
	Personal interests (Note 1)	Family interests	Corporate interests		
Mr. Ng Hung Sang ("Mr. Ng")	1,312,816,324	613,214,065 (Note 3)	6,828,729,326 (Note 4)	8,754,759,715	66.22%
Ms. Cheung Choi Ngor ("Ms. Cheung")	41,000,000	-	-	41,000,000	0.31%
Mr. Ng Yuk Yeung Paul	171,989,238	-	-	171,989,238	1.30%
Ms. Ng Yuk Mui Jessica	170,700,000	-	-	170,700,000	1.29%

## Long positions in ordinary shares of associated corporation

<b>Name</b>	<b>Name of associated corporation</b>	<b>Number of ordinary shares held by controlled corporation</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
Mr. Ng	Prime Prospects Limited (“Prime Prospects”) (Note 5)	30	30%

### Notes:

1. The shares are registered under the names of the directors who are the beneficial shareholders.
2. These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 30 June 2023.
3. The spouse of Mr. Ng is the beneficial shareholder.
4. 6,828,729,326 shares of the Company held by Mr. Ng through controlled corporations included 2,124,792,202 shares held by Fung Shing Group Limited (“Fung Shing”), 2,020,984,246 shares held by Parkfield Holdings Limited (“Parkfield”), 89,410,210 shares held by Ronastar Investments Limited (“Ronastar”), 1,075,765,537 shares held by Eartrade Investments Limited (“Eartrade”), 1,273,122,098 shares held by Bannock Investment Limited (“Bannock”), 212,405,565 shares held by Crystal Hub Limited (“Crystal Hub”) and 32,249,468 shares held by Green Orient Investments Limited (“Green Orient”). Fung Shing, Parkfield and Ronastar all are wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Eartrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. Crystal Hub is a direct wholly-owned subsidiary of South China Assets Holdings Limited, which, in turn, is 64.92% beneficially owned by Mr. Ng. Green Orient is an indirect wholly-owned subsidiary of the Company. As such, Mr. Ng was deemed to have interest in the said 212,405,565 shares held by Crystal Hub, 32,249,468 shares held by Green Orient and 2,348,887,635 shares held by Bannock and Eartrade.
5. Prime Prospects is a 70% owned subsidiary of the Company.

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

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

The Company has been notified of the following interests in its issued shares at 30 June 2023 amounting to 5% or more of the ordinary shares in issue:

<b>Name</b>	<b>Number of ordinary shares held</b>			<b>Total number of ordinary shares held</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b> <i>(Note 1)</i>
	<b>Beneficial interests</b>	<b>Family interests</b>	<b>Corporate interests</b>		
Eartrade	1,075,765,537	–	1,273,122,098 <i>(Note 2)</i>	2,348,887,635	17.77%
Bannock	1,273,122,098 <i>(Note 2)</i>	–	–	1,273,122,098	9.63%
Fung Shing	2,124,792,202	–	–	2,124,792,202	16.07%
Parkfield	2,020,984,246	–	–	2,020,984,246	15.29%
Ms. Ng Lai King Pamela ("Ms. Ng")	613,214,065	8,141,545,650 <i>(Note 3)</i>	–	8,754,759,715	66.22%

*Notes:*

1. These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 30 June 2023.
2. Bannock is a wholly-owned subsidiary of Eartrade. 2,348,887,635 shares of the Company held by Eartrade included 1,273,122,098 shares held by Bannock directly.
3. Ms. Ng, who held 613,214,065 shares of the Company directly, is the spouse of Mr. Ng, the Chairman and an Executive Director. By virtue of the SFO, Ms. Ng was deemed to be interested in 1,312,816,324 shares and 6,828,729,326 shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

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

## 2012 SHARE OPTION SCHEME

The Company adopted a share option scheme in June 2012 (the “2012 Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group’s operations, and retaining such participants for their continuing support to the Group. The share options granted under the above scheme are unlisted. The 2012 Share Option Scheme expired on 11 June 2022. The options could be exercised by the participants at any time during the option exercisable period and notwithstanding that the 2012 Share Option Scheme had expired.

Particular and movements of the outstanding share options granted under the 2012 Share Option Scheme during the six months ended 30 June 2023 as follows:

Name or category of participant	Number of share options			Date of grant of share options (Note 1)	Exercise period of share options	Number of ordinary shares issuable upon the exercise of share options	Exercise price per share HK\$ (Note 2)
	Outstanding as at 1 January 2023	Granted/ (Lapsed) during the Period	Outstanding as at 30 June 2023				
<b>Employees</b>							
In aggregate	4,333,334	-	4,333,334	10/07/2015	10/07/2016– 09/07/2025	11,010,132	0.51
	4,333,333	-	4,333,333	10/07/2015	10/07/2017– 09/07/2025	11,010,133	0.51
	4,333,333	-	4,333,333	10/07/2015	10/07/2018– 09/07/2025	11,010,135	0.51
<b>Total</b>	<u>13,000,000</u>	<u>-</u>	<u>13,000,000</u>			<u>33,030,400</u>	

Notes:

- All share options granted are subject to a vesting period and exercisable in the following manner:

### From the date of grant of share options

### Exercisable percentage

Within 12 months	Nil
13th month–24th month	not more than 33 <sup>1</sup> / <sub>3</sub> %
25th month–36th month	not more than 66 <sup>2</sup> / <sub>3</sub> %
37th month–120th month	100%

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

## **2023 SHARE OPTION SCHEME**

The Company adopted the share option scheme at the extraordinary general meeting held on 20 June 2023 (the “2023 Share Option Scheme”), which has a term of ten (10) years and will expire on 20 June 2033.

The purpose of the 2023 Share Option Scheme is to broaden the incentives which (i) enable the Group to reward employees, Directors and other eligible participants for their respective contributions to the Group; and (ii) enhance the Group’s remuneration package which would be crucial in recruitment and retention of high caliber employees who are instrumental to the growth and development of the Group.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the 2023 Share Option Scheme is 1,322,130,217 Shares, representing approximately 10% of the total number of Shares in issue as at 20 June 2023 (being the date of the extraordinary general meeting approving the 2023 Share Option Scheme).

The maximum number of shares issuable under the share options to each eligible participant in the 2023 Share Option Scheme within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of share options in excess of this limit is subject to the Company’s shareholders’ approval in a general meeting. The exercise period of the share options granted is determinable by the directors, save that the period commences on the date of which the offer is made and ends on a date which is not later than ten (10) years from the date of grant of the share options subject to any provisions of the 2023 Share Option Scheme determining the rights of the grantees. The offer of a grant of share option may be accepted within twenty-eight (28) days from the date of grant, upon payment of a consideration of HK\$1.00 by the grantee.

The exercise price per Share in relation to an option under the 2023 Share Option Scheme shall be a price to be determined by the Directors but must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations for the five(5) business days immediately preceding the date of grant.

The number of options available for grant under the scheme mandate limit and the service provider sublimit under the 2023 Share Option Scheme are 1,322,130,217 and 132,213,021 respectively at the date of adoption of the 2023 Share Option Scheme and the end of the Period.

No option has been granted, cancelled, outstanding, exercised or lapsed under the 2023 Share Option Scheme during the Period.

The number of shares that may be issued in respect of options granted under the 2012 Share Option Scheme and 2023 Share Option Scheme during the Period representing 0% of the weighted average number of Shares for the Period.

For the principal terms of the 2023 Share Option Scheme, please refer to the Appendix I of the Company’s circular dated 25 May 2023.



## EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employees' share award scheme (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 conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK\$60 million for the purchase of shares in the Company from the market. Such shares shall form part of the capital of the trust 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 had been awarded under the Share Award Scheme during the Period. There was no change in the number of shares of the Company held under the Share Award Scheme as compared to the most recently published annual report.

The following information in relation to the Share Award Scheme pursuant to Rule 17.09 of the Listing Rules:

1. Purpose of the Share Award Scheme :
  - (i) to selected employees in recognition of their contributions to the Group;
  - (ii) as incentive to retain the selected employees for supporting the operations and on-going development of the Group; and
  - (iii) to attract suitable personnel for further development of the Group.
2. Participants of Share Award Scheme : The Board may, from time to time, select any employee of the Group for participation in the Share Award Scheme (the "Selected Employee").
3. Total number of shares available for issue under the Share Award Scheme : As at the date of this report, 206,160,593 shares (representing approximately 1.56% of the issued share capital as at the date of this report) were available for being granted to Selected Employees.
4. Maximum entitlement of each Selected Employee under the Share Award Scheme : No maximum entitlement of each Selected Employee was set.
5. Exercisable period under the Share Award Scheme : No exercise period for the awarded shares was set.
6. Vesting period of the Share Award Scheme : The vesting period of the awarded shares shall be determined by the Board at the time of grant of such shares.

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

7. Acceptance price : No amount is payable on acceptance of the grant of the awarded shares under the Share Award Scheme.
8. Basis of determining the purchase price of awarded shares : The purchase price of each awarded share shall be determined by the Board at the time of grant of the awarded shares to each Selected Employee under the Share Award Scheme.
9. Remaining life of the Share Award Scheme : Subject to any early termination as may be determined by the Board pursuant to the terms of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of fifteen (15) years commencing on 18 March 2011 (the adoption date of the Share Award Scheme). The remaining life of the Share Award Scheme shall be approximately 2.5 years.
10. Voting rights of unvested shares of the Share Award Scheme : The trustee shall not exercise the voting rights of the awarded shares as all such shares are held under the trust constituted by the trust deed dated 18 March 2011 entered into between the Company and the trustee.

The number of outstanding shares in the Company held under the Share Award Scheme are as follows:

	<b>Value</b> <i>HK\$'000</i>	<b>Number of shares held</b>
At 1 January and 30 June 2023	61,075	206,160,593

The number of awarded shares that may be granted under the Share Award Scheme during the Period representing 0% of the weighted average number of Shares for the Period.

#### **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 shares of the Company during the six months ended 30 June 2023.

#### **CORPORATE GOVERNANCE CODE**

The Company complied with the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2023 except for the following deviations:

#### **Non-Compliance with Code Provisions F.2.2 and C.1.6 of the CG Code**

Mr. Ng Hung Sang (Chairman and Executive Director), Mr. Ng Yuk Yeung Paul (Executive Director), Mr. Ng Yuk Fung Peter (Non-executive Director) and Mr. Kam Yiu Shing Tony (Independent Non-executive Director), were unable to attend the extraordinary general meeting of the Company held on 11 January 2023 (which deviated from code provisions F.2.2 and C.1.6 of the CG Code) as they had other important business engagements.

Mr. Ng Yuk Fung Peter (Non-executive Director) and Mr. Kam Yiu Shing Tony (Independent Non-executive Director), were unable to attend the annual general meeting and the extraordinary general meeting of the Company both held on 20 June 2023 (which deviated from code provisions F.2.2 and C.1.6 of the CG Code) as they had other important business engagements.

## **UPDATE ON LITIGATION PROCEEDINGS**

### **(i) Against Nanjing Skytech Co., Limited and Others**

#### **1. Case on infringement of copyrights**

On 27 March 2023, Jiangsu High People's Court ruled that the ownership of the copyrights of two pieces of Computer Software belonged to Nanjing South China Skytech Technology Co., Limited (南京南華擎天資訊科技有限公司) ("South China Skytech"). South China Skytech appealed against the ruling on 15 April 2023.

#### **2. Case on liability dispute related to damaging the interests of the Company**

As disclosed in the last annual report of the Company, there was no material change for the six months ended 30 June 2023.

### **(ii) Case on tort related to Tianjin Binhai land**

On 6 June 2023, World Right Investments Limited (環威投資有限公司) ("World Right") decided to withdraw the case after considering various factors. Its legal team is attempting to file a new case from other perspectives that are more conducive to protecting the rights and interests of World Right and Tianjin South China Property Development Company Limited (天津南華房地產開發有限公司).

### **(iii) Case on arbitration related to Nansha land**

As disclosed in the last annual report of the Company, there was no material change for the six months ended 30 June 2023.

## **UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's 2022 annual report are set out below:

1. Mr. Ng Yuk Yeung Paul was appointed as an independent non-executive director, and a member of each of the audit committee, nomination committee and remuneration committee of China Rongzhong Financial Holdings Company Limited (stock code: 03963) with effect from 28 April 2023.
2. Ms. Li Yuen Yu Alice was appointed as a member of the audit committee of the Company (the "Audit Committee") on 7 July 2023.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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.

Specific enquiries have been made of all Directors who confirmed that they had complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2023.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises four Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony (Chairman of the Audit Committee), Mrs. Tse Wong Siu Yin Elizabeth, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P. and one Non-executive Director, namely Ms. Li Yuen Yu Alice.

The Group's unaudited interim results for the six months ended 30 June 2023 has been reviewed by the Audit Committee, which was of the opinion that the preparation complied with the applicable accounting standards and requirements and that adequate disclosures were made.

## **EVENTS AFTER THE REPORTING PERIOD**

There is no material events after the reporting period as at the date of this report.

By Order of the Board  
**South China Holdings Company Limited**  
南華集團控股有限公司  
**Ng Hung Sang**  
*Chairman*

Hong Kong, 22 August 2023

*As at the date of this report, the Directors are:*

***Executive Directors:***

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

***Non-executive Directors:***

*Ms. Ng Yuk Mui Jessica  
Mr. Ng Yuk Fung Peter  
Ms. Li Yuen Yu Alice  
Mr. Yu Pui Hang*

***Independent Non-executive Directors:***

*Mrs. Tse Wong Siu Yin Elizabeth  
Mr. Kam Yiu Shing Tony  
Ms. Pong Scarlett Oi Lan, BBS, J.P.  
Mr. Wong Chun Tat, J.P.*