



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 2024

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 2024.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June	
		2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Revenue	2	1,168,503	1,137,892
Cost of sales		(1,016,427)	(1,013,031)
Gross profit		152,076	124,861
Other income and gains, net	3	64,455	102,975
Net fair value (loss)/gain on investment properties		(75)	5,352
Selling and distribution expenses		(18,708)	(25,463)
Administrative expenses		(152,906)	(153,008)
Profit from operations	2 & 4	44,842	54,717
Finance costs	5	(124,374)	(138,269)
Share of losses of associates		-	(150)
Loss before tax		(79,532)	(83,702)
Income tax expenses	6	(1,344)	(613)
Loss for the period		(80,876)	(84,315)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)**Six months ended 30 June****2024** 2023**(Unaudited)** (Unaudited)*Notes* **HK\$'000** *HK\$'000*

Attributable to:

Equity shareholders of the Company

(79,142) (79,281)

Non-controlling interests

(1,734) (5,034)**(80,876)** **(84,315)****Loss per share**

8

Basic**HK(0.6) cents** HK(0.6) cents**Diluted****HK(0.6) cents** HK(0.6) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June

	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

Loss for the period	(80,876)	(84,315)
Other comprehensive income (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties	27,324	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	(162,083)	(249,923)
Release of exchange reserve upon disposal of subsidiaries	<u>–</u>	<u>41</u>
	(134,759)	(249,882)
Total comprehensive income for the period	<u>(215,635)</u>	<u>(334,197)</u>
Attributable to:		
Equity shareholders of the Company	(203,383)	(309,826)
Non-controlling interests	<u>(12,252)</u>	<u>(24,371)</u>
	<u>(215,635)</u>	<u>(334,197)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
	<i>Notes</i>	
NON-CURRENT ASSETS		
Property, plant and equipment	415,797	464,063
Investment properties	9,322,701	9,427,871
Construction in progress	146	150
Investments in a joint venture	285	285
Bearer plants	15,592	16,626
Other non-current assets	215,989	219,069
	<hr/>	<hr/>
Total non-current assets	9,970,510	10,128,064
CURRENT ASSETS		
Inventories	901,947	786,864
Properties under development	238,088	242,854
Trade receivables	474,221	372,774
Prepayments, deposits and other receivables	1,136,818	1,146,005
Financial assets measured at fair value through profit or loss	6,391	5,680
Amounts due from associates	5,145	5,145
Amounts due from related parties	35,355	28,424
Tax recoverables	954	831
Cash and bank balances	483,866	538,644
	<hr/>	<hr/>
Total current assets	3,282,785	3,127,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	10	590,425	498,135
Other payables and accruals		549,190	539,911
Interest-bearing bank borrowings		2,188,265	2,085,209
Lease liabilities		55,709	55,641
Amounts due to non-controlling shareholders of subsidiaries		10,260	10,408
Amount due to a related party		35,011	–
Tax payables		66,885	72,578
Total current liabilities		3,495,745	3,261,882
NET CURRENT LIABILITIES		(212,960)	(134,661)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,757,550	9,993,403
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		1,715,619	1,688,023
Lease liabilities		249,878	291,076
Amounts due to non-controlling shareholders of subsidiaries		141	141
Amounts due to related parties		640,191	625,874
Other non-current liabilities		52,306	53,627
Deferred tax liabilities		1,025,235	1,044,847
Total non-current liabilities		3,683,370	3,703,588
NET ASSETS		6,074,180	6,289,815
CAPITAL AND RESERVES			
Share capital	11	134,413	134,413
Reserves		5,659,488	5,862,871
Total equity attributable to equity shareholders of the Company		5,793,901	5,997,284
Non-controlling interests		280,279	292,531
TOTAL EQUITY		6,074,180	6,289,815

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 2024	1,616,590	(61,075)	(10,837)	(1,266,832)	5,719,438	5,997,284	292,531	6,289,815
Total comprehensive income for the period	-	-	-	(124,241)	(79,142)	(203,383)	(12,252)	(215,635)
At 30 June 2024	<u>1,616,590</u>	<u>(61,075)</u>	<u>(10,837)</u>	<u>(1,391,073)</u>	<u>5,640,296</u>	<u>5,793,901</u>	<u>280,279</u>	<u>6,074,180</u>
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>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June

2024	2023
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

Cash flows from operating activities

Cash used in operations	(58,685)	(242,685)
Hong Kong Profit Tax paid	(6,144)	(3,298)
The People's Republic of China ("PRC") enterprise income tax paid	(3,520)	(4,796)

Net cash used in operating activities

	(68,349)	(250,779)
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Cash flows from investing activities

Purchase of items of property, plant and equipment	(13,958)	(8,263)
Other cash flows arising from investing activities	11,824	(7)

Net cash used in investing activities

	(2,134)	(8,270)
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Cash flows from financing activities

New bank loans	1,929,460	1,366,530
Repayment of bank loans	(1,779,867)	(972,835)
Interests and other borrowing costs paid	(119,805)	(108,475)
Capital element of lease rentals paid	(34,570)	(38,652)
Interest element of lease rentals paid	(10,895)	(11,652)
Other cash flows arising from financing activities	57,256	26,465

Net cash generated from financing activities

	41,579	261,381
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Net (decrease)/increase in cash and cash equivalents	(28,904)	2,332
Cash and cash equivalents at beginning of the period	506,245	406,578
Effect of foreign exchange rate changes, net	(3,824)	(6,281)

Cash and cash equivalents at end of the period	<u>473,517</u>	<u>402,629</u>
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Analysis of balances of cash and cash equivalents

Cash and bank balances	483,866	434,682
Less: Restricted bank deposits	(10,349)	(32,053)

Cash and cash equivalents as stated in the condensed consolidated cash flow statement	<u>473,517</u>	<u>402,629</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 20 August 2024.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 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 2023 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, *Presentation of financial statements: Classification of liabilities as current or non-current* (“2020 amendments”)

Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“2022 amendments”)

Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

Amendments to HKAS 1, *Presentation of financial statements* (“2020 and 2022 amendments”, or collectively the “HKAS 1 amendments”)

The HKAS 1 amendments impact the classification of a liability as current or non-current, and are applied retrospectively as a package. The 2020 amendments primarily clarify the classification of a liability that can be settled in its own equity instruments. If the terms of a liability could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments and that conversion option is accounted for as an equity instrument, these terms do not affect the classification of the liability as current or non-current. Otherwise, the transfer of equity instruments would constitute settlement of the liability and impact classification.

The 2022 amendments specify that conditions with which an entity must comply after the reporting date do not affect the classification of a liability as current or non-current. However, the entity is required to disclose information about non-current liabilities subject to such conditions in a full set of financial statements.

Upon the adoption of the amendments, the Group has reassessed the classification of its liabilities as current or non-current and did not identify any reclassification to be made.

1. BASIS OF PREPARATION (Continued)

Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*

The amendments clarify how an entity accounts for a sale and leaseback after the date of the transaction. The amendments require the seller-lessee to apply the general requirements for subsequent accounting of the lease liability in such a way that it does not recognise any gain or loss relating to the right of use it retains. A seller-lessee is required to apply the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application. The amendments do not have a material impact on these financial statements as the Group has not entered into any sale and leaseback transactions.

Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures* — *Supplier finance arrangements*

The amendments introduce new disclosure requirements to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. Since those disclosures are not required for any interim period presented within the annual reporting period in which the amendments are initially applied, the Group has not made additional disclosures in these interim financial statements.

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 2024 and 2023 is as follows:

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Group	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue										
External sales	<u>1,061,505</u>	<u>1,040,784</u>	<u>106,936</u>	<u>96,410</u>	<u>62</u>	<u>698</u>	<u>-</u>	<u>-</u>	<u>1,168,503</u>	<u>1,137,892</u>
Segment results	31,767	(9,390)	41,354	32,507	(2,859)	67,681	(25,420)	(36,081)	44,842	54,717
Reconciliation:										
— Share of losses of associates	-	(185)	-	-	-	-	-	35	-	(150)
— Finance costs									<u>(124,374)</u>	<u>(138,269)</u>
Loss before tax									<u>(79,532)</u>	<u>(83,702)</u>

By geographical location[†]:

	Revenue		Contribution to profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2024	2023	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
The PRC including Hong Kong and Macau	170,503	131,160	24,668	65,145
United States of America ("USA")	598,360	594,463	16,835	(3,918)
Europe	281,128	286,021	2,215	(4,642)
Japan	3,696	7,332	21	(128)
Others	114,816	118,916	1,103	(1,740)
	<u>1,168,503</u>	<u>1,137,892</u>	<u>44,842</u>	<u>54,717</u>

[†] Revenue by geographical location is determined on the basis of the location where merchandise is delivered and/or service is rendered.

2. REVENUE AND SEGMENTAL INFORMATION (Continued)

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 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000
Segment assets	1,669,958	1,429,974	11,105,968	11,290,838	169,979	194,632	306,151	338,725	13,252,056	13,254,169
Investments in a joint venture									285	285
Tax recoverables									954	831
Total assets									<u>13,253,295</u>	<u>13,255,285</u>
Segment liabilities	3,028,960	2,495,395	2,198,943	2,507,065	141,503	167,767	717,589	677,818	6,086,995	5,848,045
Tax payables									66,885	72,578
Deferred tax liabilities									1,025,235	1,044,847
Total liabilities									<u>7,179,115</u>	<u>6,965,470</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 had been recognised.

4. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	Six months ended 30 June	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of inventories sold	959,982	911,102
Cost of completed properties sold	15,899	7,970
	<u>975,881</u>	<u>919,072</u>
Depreciation:		
— owned property, plant and equipment	16,230	18,924
— bearer plant	626	763
— right-of-use assets	33,392	39,363
	<u>50,248</u>	<u>59,050</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank and other borrowings	113,479	126,617
Interest on lease liabilities	10,895	11,652
	<u>124,374</u>	<u>138,269</u>

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 2023: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. 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 2024 (six months ended 30 June 2023: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss 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 per share is based on the loss 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 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 and number of shares used in the calculations of basic and diluted loss per share are as follow:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss attributable to equity shareholders of the Company used in basic and diluted loss per share calculation	<u>(79,142)</u>	<u>(79,281)</u>

8. LOSS PER SHARE (Continued)

Number of shares	
2024	2023
(Unaudited)	(Unaudited)
'000	'000

Shares

Weighted average number of ordinary shares in issue less shares held for share award scheme during the period used in the basic and diluted loss per share calculation

<u>12,982,892</u>	<u>12,982,892</u>
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The Company's share options have no dilution effect for the six months ended 30 June 2024 and 2023 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 2024 and 2023 because the potential ordinary shares outstanding were anti-dilutive.

9. TRADE RECEIVABLES

Trade receivables of approximately HK\$474,221,000 as at 30 June 2024 (as at 31 December 2023: HK\$372,774,000), 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.

10. TRADE PAYABLES

Trade payables of approximately HK\$590,425,000 as at 30 June 2024 (as at 31 December 2023: HK\$498,135,000) are substantially aged within six months.

11. SHARE CAPITAL

	As at 30 June 2024 (Unaudited) HK\$'000	As at 31 December 2023 (Audited) HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
3,000,000,000 redeemable convertible preference shares of HK\$0.02 each (<i>Note</i>)	60,000	60,000
Total authorised capital	<u>260,000</u>	<u>260,000</u>
Issued and fully paid:		
13,221,302,172 (2023: 13,221,302,172) ordinary shares of HK\$0.01 each	132,213	132,213
109,975,631 (2023: 109,975,631) redeemable convertible preference shares of HK\$0.02 each	2,200	2,200
Total issued and fully paid capital	<u>134,413</u>	<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 2024 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded a revenue of approximately HK\$1,169 million (2023: approximately HK\$1,138 million) for the six months ended 30 June 2024 (the “Period”), representing a 3% increase as compared to the corresponding period in 2023. Loss after tax was approximately HK\$80.9 million (2023: approximately HK\$84.3 million) for the Period. There was a gain on disposal of subsidiaries of approximately HK\$78.2 million recognised in the corresponding period in 2023. By excluding the aforesaid disposal gain, the loss after tax was approximately HK\$162.5 million in the corresponding period in 2023. The Group substantially cut down the loss by approximately 50% through its improvements in production efficiency and effective control measures in the trading and manufacturing segment 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 (2023: HK0.6 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 2% increase in revenue to approximately HK\$1,062 million (2023: approximately HK\$1,041 million) and an operating gain of approximately HK\$31.8 million (2023: loss of approximately HK\$9.4 million).

(i) OEM toys production

The OEM toys operation generated revenue of approximately HK\$965 million (2023: approximately HK\$924 million) for the Period, representing a 4% increase as compared to the corresponding period in 2023.

During the Period, persistently high interest rate coupled with geopolitical tensions kept affecting the overall demand for goods and services, especially those non-necessity goods, which in turn weakened the consumer market sentiment and economic growth. Key customers of the Group adopted prudent ordering strategies which kept tampering the overall demands for toys products during the Period. Despite the challenging macroeconomic environment, the Group achieved a modest growth in this segment, which reflected the resilience of the Group in facing adversity.

The Group continued to proactively pursue potential new customers, strive to control its costs by streamlining the supply chain and increase its production capacities both in Guangxi and Vietnam.

(ii) Trading of footwear products

During the Period, revenue from the footwear trading operation decreased by 17% to approximately HK\$90.0 million (2023: approximately HK\$108.0 million). The Group managed to achieve its profit by adopting cost saving strategy which set off the impact of decrease in revenue resulting from the downturn in demand. The overall operating profit of this segment increased by 30% to approximately HK\$7.3 million (2023: approximately HK\$5.6 million).

(iii) Sales of branded ball products

During the Period, revenue from sales of the branded ball products decreased by 9% to approximately HK\$5.8 million (2023: approximately HK\$6.4 million), mainly due to depreciation of Renminbi (“RMB”), but the overall performance of this segment remained stable.

Property Investment and Development

During the Period, revenue from the property investment and development segment increased by 11% to approximately HK\$106.9 million (2023: approximately HK\$96.4 million). The operating profit of this segment, including fair value changes on investment properties, was approximately HK\$41.4 million for the Period (2023: approximately HK\$32.5 million). This segment generated an operating profit, excluding the fair value changes on investment properties, of approximately HK\$41.4 million (2023: approximately HK\$27.2 million).

The Group has a property investment portfolio with total gross floor area (“GFA”) of approximately 626,000 sq.m. in Mainland China and approximately 26,000 sq.m. (approximately 280,000 sq.ft.) in Hong Kong. The investment properties for lease in Mainland China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

The rental income under the Group’s leasing portfolio in Nanjing, Shenyang and Tianjin slightly improved during the Period, resulting from the gradual recovery of retail market driven by the resumption of domestic and tourist consumption. On the other hand, amid the challenging environment of high interest rate and limited demand in Hong Kong, the Group managed to capture stability in its office leasing income in Hong Kong. The rental income generated from this segment during the Period was HK\$88.3 million, representing a slight improvement of approximately 2% as compared to the corresponding period in 2023, despite the adverse impact of depreciation of RMB on the rental income in Mainland China resulting from currency exchange.

By comparing with the leasing market, property market continued to face challenges and grapple with weak investment market sentiment. Investors and homebuyers remained cautious by taking a very prudent approach by delaying their decisions of investments due to market uncertainty. In addition, the adverse impact of collapse of some giant property developers in Mainland China had yet been digested and the confidence in the property had yet been restored.

Currently, approximately 65% 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 2024 and onwards, in particular, the recent policies launched by the central government for building up the consumer confidence in Mainland China.

Agriculture and Forestry

During the Period, revenue decreased to approximately HK\$62,000 (2023: approximately HK\$698,000). There was an operating loss of HK\$2.9 million during the Period, comparing with an operating profit of HK\$67.7 million for the corresponding period in 2023 (including a gain on disposal of subsidiaries amounting to HK\$78.2 million). By excluding the disposal gain, the operating loss for the corresponding period in 2023 was HK\$10.5 million and the operating loss substantially decreased by 72% during the Period as compared to the corresponding period in 2023.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group had a current ratio of 0.94 and a gearing ratio of 28% (31 December 2023: 0.96 and 27% respectively). The gearing ratio is computed by comparing the Group's long-term bank borrowings of HK\$1,716 million to the Group's equity of HK\$6,074 million. The Group's operations and investments continued to be financed by internal resources and bank borrowings. The Group closely monitors the liquidity risk and maintains a balance between continuity of funding and flexibility through the use of banking facilities. Currently, the Group aims at addressing the short-term liquidity risk by renewing and securing new 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, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures of the Company during the Period.

CONTINGENT LIABILITIES

During the Period, certain indirect wholly-owned subsidiaries of the Company entered into certain bank loan facilities under which certain investment properties were pledged with the banks.

A subsidiary of the Company in Mainland China provided guarantees to certain financial institutions in an aggregate amount of approximately RMB184.2 million (equivalent to approximately HK\$197.1 million) for 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 2024. The aforesaid 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 2024, the total number of employees of the Group was approximately 15,537 (30 June 2023: 14,126).

Employees' costs (including directors' emoluments) amounted to approximately HK\$393.5 million for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$374.6 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

It is expected that in the second half of 2024, the Group will continue to face significant economic headwinds that are likely to impact its performance. Central banks around the world have maintained their hawkish monetary policies by keeping the interest rates at a high level in order to curb persistent inflation, which in turn increases consumers' pressure on discretionary spending. However, as is widely expected, the Fed will start to cut interest rate in September 2024, which can help to improve the demands for the toy products and also reduce financial costs of the Group.

The ongoing tensions between the USA and Mainland China have become a significant concern, including accelerating of de-risking strategies by the Group's customers. To strengthen the Group's foundations for sustainable growth and resilience, it has been proactively soliciting potential new customers and expanding its production capacities in both Guangxi and Vietnam.

On the other hand, Mainland China's economy has marked a gradual recovery in early 2024 after the implementation of a series of encouragement policy by the central government. The GDP for the first quarter increased by 5.3% year on year and for the second quarter 4.7%. It is expected that the central government will launch further proactive economic and monetary policies to stimulate the market sentiment for achievement of the target growth rate of approximately 5% for the year 2024, which is expected to have a direct and positive impact on the business performance of the Group. The Group will stay close to the changing environment for capturing any new business opportunities in the second half of 2024.

Trading and Manufacturing

OEM toys production

Facing the challenges of economic headwinds and uncertainties, the Group continues to build up stronger resilience and cost controlling by (i) consolidating its resources and optimizing the existing facilities in Mainland China to maintain efficiency and cost-effectiveness; (ii) exploring new opportunities and business; (iii) streamlining production processes, enhancing automation and lean manufacturing practices; (iv) strengthening supplier relationships and local sourcing; and (v) increasing the production capacities in Vietnam. The new plant located in Hai Duong of Vietnam will commence production in the second half of 2024. With the alternative manufacturing hub, the Group can enjoy the benefits of lower labour costs and growing skilled workforce in Vietnam, proximity to existing supply chain networks in the region and production diversification. Given the foregoing, the Group equips itself to gain competitive edge over its competitors in capturing business opportunities in the challenging business environment.

Concurrently, the Group strives for enhancing the long-standing customer loyalty and world-class engineering capabilities, which are the key attributes to the Group's competitive edge in the business and securing the orders from customers. To deliver the best value for its customers, the Group endeavours to enhance its chemical integration to meet customers' needs and also improve its production cost efficiency.

Trading of footwear products

The Group will keep expanding its client base by engaging some referrers in different countries, e.g. the USA and Italy apart from maintaining good and long-term relationship with loyal clients, for securing more orders of footwear products. The Group will continue to monitor its production costs by placing orders to different plants in different countries for maximizing its return.

Property Investment and Development

Property Investment

The Group will continue to deploy its leasing strategy by diversifying its tenant portfolio in response to the changing environment and anticipated market recovery. Avenue of Stars, a renowned mall in Shenyang, is anchored by a variety of fashion retailers and family entertainment, which targets on young couples and family customers. On the other hand, the retail podium in Central Square is well-positioned to be a focal point of restaurants and bars, leisure experience and performance which provide diversified features of art and entertainment to teenagers and young adults. The Group believes that the widened target customer base will enhance the business atmosphere, which in turn will attract more prospective tenants and improve the rental income, especially when the household consumption and retail spending recover as a result of the central government's implementation of stimulating policies.

Property Development

The real estate market in Mainland China will continue to be competitive and challenging, and consumer confidence is one of the key factors for the market recovery. The central government recently announced a package of measures to reboot the property market. These measures include reduction of mortgage interest rates and down payment requirements. The Group will stay close to the changes in economic and monetary environment and take action proactively to seize business opportunities. The Group is cautiously optimistic on the sales of residential units of Central Square as it is located in one of the prime residential areas in Shenyang and having the advantages of direct accessibility to (i) its retail podium, (ii) the subway and (iii) 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 terms and conditions with the remaining settlers. 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 use 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 announced 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 plans on those land bank assets in those areas where the development projects are located and take proactive approach in response to the progress of the development plan. In addition, the Group will keep exploring any sale and purchase opportunities in other land bank assets.

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 Mainland 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. On the other hand, the Group will also study any opportunities to capture a higher return from conversion of land usages of the agricultural lands.

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 2024 (six months ended 30 June 2023: Nil).

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

As at 30 June 2024, 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 C3 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 <i>(Note 1)</i>	Family interests	Corporate interests		
Mr. Ng Hung Sang ("Mr. Ng")	1,312,816,324	613,214,065 <i>(Note 3)</i>	6,828,729,326 <i>(Note 4)</i>	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

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

Notes:

- The shares are registered under the names of the directors who are the beneficial shareholders.
- These percentages are calculated on the basis of 13,221,302,172 ordinary shares in issue as at 30 June 2024.
- The spouse of Mr. Ng is the beneficial shareholder.
- 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.
- 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 2024.

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 2024 amounting to 5% or more of the ordinary shares in issue:

Name	Number of ordinary shares held			Total number of ordinary shares held	Approximate percentage of shareholding to total issued ordinary shares <i>(Note 1)</i>
	Beneficial interests	Family interests	Corporate interests		
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 2024.
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 2024, 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 2024 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 2024	Granted/ (Lapsed) during the Period	Outstanding as at 30 June 2024				
Employees							
In aggregate	3,666,668	-	3,666,668	10/07/2015	10/07/2016– 09/07/2025	9,316,268	0.51
	3,666,666	-	3,666,666	10/07/2015	10/07/2017– 09/07/2025	9,316,266	0.51
	3,666,666	-	3,666,666	10/07/2015	10/07/2018– 09/07/2025	9,316,266	0.51
Total	<u>11,000,000</u>	<u>-</u>	<u>11,000,000</u>			<u>27,948,800</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 ¹ / ₃ %
25th month–36th month	not more than 66 ² / ₃ %
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.

For the principal terms of the 2012 Share Option Scheme, please refer to note 33 to the consolidated financial statements as set out in the annual report of the Company for the year ended 31 December 2023 (the “2023 Annual Report”).

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 provide incentive or rewards to the employees, directors and other eligible participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for 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 the 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 note 33 to the consolidated financial statements as set out in the 2023 Annual Report.

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.

No movements in the number of awarded shares in the Company during the six months ended 30 June 2024 and 2023.

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

	2024		2023	
	Value	Number of	Value	Number of
	<i>HK\$'000</i>	shares held	<i>HK\$'000</i>	shares held
At 1 January and 30 June	61,075	206,160,593	61,075	206,160,593

During the Period, there was no share (2023: Nil) of the Share Award Scheme of the Company was transferred to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was Nil (2023: Nil).

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.

For the principal terms of the Share Award Scheme, please refer to the Directors' Report as set out in the 2023 Annual Report.

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 2024.

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 C1 of the Listing Rules throughout the six months ended 30 June 2024 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, Mr. Ng Yuk Yeung Paul, Mrs. Tse Wong Siu Yin Elizabeth, Mr. Kam Yiu Shing Tony and Mr. Wong Chun Tat, J.P., were unable to attend the annual general meeting of the Company held on 27 June 2024 (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

Case on infringement of copyrights

As disclosed in the latest annual report of the Company, there was no material change for the six months ended 30 June 2024.

Case on liability dispute related to damaging the interests of the Company

As disclosed in the latest annual report of the Company, there was no material change for the six months ended 30 June 2024.

(ii) Case related to Tianjin Binhai land

On 17 May 2024, the court concluded the first instance decisions dismissing the Company's claims, and the Company immediately filed an appeal. The appeal court conducted hearings on 18 July 2024 and it is currently pending rulings by the appeal court.

(iii) Case on arbitration related to Nansha land

Based on strategic consideration, the Company filed an application with the arbitral tribunal to withdraw the arbitration case on 18 April 2024.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the 2023 Annual Report are set out below:

1. Mr. Ng Yuk Fung Peter resigned as a non-executive Director on 27 June 2024.
2. Ms. Li Yuen Yu Alice retired as a non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 27 June 2024 and ceased to be a member of each of the Audit Committee and Remuneration and Nomination Committee of the Company on the same day.
3. Mrs. Tse Wong Siu Yin Elizabeth ("Mrs. Tse") retired as an independent non-executive Director with effect from the conclusion of the annual general meeting of the Company held on 27 June 2024 and ceased to be the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company on the same day.
4. Following the retirement of Mrs. Tse, Ms. Pong Scarlett Oi Lan, BBS, J.P. was appointed as the chairman of the Remuneration and Nomination Committee of the Company with effect from the conclusion of the annual general meeting of the Company held on 27 June 2024.

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. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2024.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Wong Chun Tat, J.P..

The Group's unaudited interim results for the six months ended 30 June 2024 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 event undertaken by the Company or the Group after the reporting period and up to 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, 20 August 2024

As at the date of this report, the Directors of the Company 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. Yu Pui Hang*

Independent Non-executive Directors:

*Mr. Kam Yiu Shing Tony
Ms. Pong Scarlett Oi Lan, BBS, J.P.
Mr. Wong Chun Tat, J.P.*