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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP RESULTS

The board of directors (the "Board" or the "Directors") of South China Holdings Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2019** ***HK$'000***	2018 *HK$'000* *(Note)*
Revenue	*3*	**4,410,438**	4,228,197
Cost of sales		**(3,702,901)**	(3,651,285)
Gross profit		**707,537**	576,912
Other income and gains, net	*4*	**76,892**	66,386
Net fair value gain on properties transfer and investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**864,831**	315,643
Selling and distribution expenses		**(66,562)**	(71,613)
Administrative expenses		**(539,989)**	(540,550)
Equity-settled share award and share options expenses		**–**	(1,915)
Profit from operations	*3&5*	**1,042,709**	344,863

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

	Note	2019 HK$'000	2018 HK$'000 (Note)
Finance costs		**(204,067)**	(151,278)
Share of losses of associates		**–**	(13)
Share of profits of joint ventures		**151**	402
Profit before tax		**838,793**	193,974
Income tax	*6*	**(282,330)**	(53,241)
Profit for the year		**556,463**	140,733
Attributable to:			
Equity shareholders of the Company		**594,040**	140,003
Non-controlling interests		**(37,577)**	730
		556,463	140,733
Earnings per share	*7*		
Basic		**HK4.6 cents**	HK1.1 cents
Diluted		**HK4.3 cents**	HK1.0 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**556,463**	140,733
Other comprehensive income (after tax and reclassification adjustments)		
Items that may be reclassified to profit or loss in subsequent periods (nil of tax effect):		
Exchange differences on translation of financial statements of operations outside Hong Kong	**(131,487)**	(286,792)
Share of other comprehensive income of associates	**–**	(1)
Other comprehensive income for the year	**(131,487)**	(286,793)
Total comprehensive income for the year	**424,976**	(146,060)
Attributable to:		
Equity shareholders of the Company	**471,251**	(121,830)
Non-controlling interests	**(46,275)**	(24,230)
	424,976	(146,060)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000 (Note)
NON-CURRENT ASSETS			
Property, plant and equipment		**666,126**	190,665
Investment properties	*9*	**6,884,374**	7,726,642
Prepaid land lease payments		**–**	77,825
Construction in progress		**136,737**	149,713
Investments in associates		**–**	20
Investments in joint ventures		**244**	2,224
Bearer plants		**36,253**	49,692
Other non-current assets		**151,550**	157,457
Total non-current assets		**7,875,284**	8,354,238
CURRENT ASSETS			
Inventories	*9*	**1,378,600**	625,756
Properties under development	*9*	**621,004**	1,898,847
Trade receivables	*10*	**454,486**	599,615
Prepayments, deposits and other receivables		**924,670**	864,904
Financial assets measured at fair value through profit or loss		**7,958**	16,495
Amounts due from non-controlling shareholders of subsidiaries		**–**	28,424
Amounts due from joint ventures		**–**	435
Tax recoverable		**692**	58,592
Cash and bank balances		**886,478**	847,112
		4,273,888	4,940,180
Non-current assets classified as held for sale		**2,494,940**	272,000
Total current assets		**6,768,828**	5,212,180

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	**As at 31 December 2019** *HK$'000*	As at 31 December 2018 *HK$'000* *(Note)*
CURRENT LIABILITIES			
Trade payables	*11*	**778,146**	658,276
Other payables and accruals		**1,222,088**	1,099,638
Interest-bearing bank borrowings		**2,576,589**	2,146,655
Foreign exchange forward contracts		**–**	18,966
Lease liabilities		**66,035**	–
Amounts due to non-controlling shareholders of subsidiaries		**9,438**	8,444
Amount due to a related party		**–**	137,166
Tax payable		**80,952**	62,531
Total current liabilities		**4,733,248**	4,131,676
NET CURRENT ASSETS		**2,035,580**	1,080,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,910,864**	9,434,742
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**1,744,584**	2,497,447
Lease liabilities		**344,473**	–
Advances from non-controlling shareholders of subsidiaries		**7,941**	7,941
Amounts due to related parties		**311,191**	–
Other non-current liabilities		**69,060**	70,474
Deferred tax liabilities		**1,040,594**	881,333
Total non-current liabilities		**3,517,843**	3,457,195
NET ASSETS		**6,393,021**	5,977,547
CAPITAL AND RESERVES			
Share capital	*12*	**139,789**	140,027
Reserves		**5,951,662**	5,489,675
Total equity attributable to equity shareholders of the Company		**6,091,451**	5,629,702
Non-controlling interests		**301,570**	347,845
TOTAL EQUITY		**6,393,021**	5,977,547

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.

NOTES TO THE ANNOUNCEMENT

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's consolidated financial statements for the year ended 31 December 2019.

The accounting policies and basis of preparation adopted in the financial statements are consistent with those adopted in the Group's audited 2018 annual financial statements except for changes in accounting policies as a result of the adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") as set out in note 2.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 which remain substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. *New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

2. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16 *Leases* (continued)

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 6.2%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019 *HK$'000*
Operating lease commitments at 31 December 2018	134,366
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(14,732)
Add: lease payments for the subsequent periods where the Group considers it reasonably certain that it will not exercise the termination options	511,584
	631,218
Less: total future interest expenses	(156,524)
Total lease liabilities recognised at 1 January 2019	474,694

2. **CHANGES IN ACCOUNTING POLICIES (continued)**

HKFRS 16 *Leases* (continued)

b. Lessee accounting and transitional impact (continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts and reclassification**	**Carrying amount at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	190,655	560,921	751,576
Prepaid land lease payments	77,825	(77,825)	–
Total non-current assets	**8,354,238**	**483,096**	**8,837,334**
Prepayment, deposits and other receivables	864,904	(8,402)	856,502
Total current assets	**5,212,180**	**(8,402)**	**5,203,778**
Lease liabilities (current)	–	68,557	68,557
Total current liabilities	**4,131,676**	**68,557**	**4,200,233**
Net current assets	**1,080,504**	**(76,959)**	**1,003,545**
Total assets less current liabilities	**9,434,742**	**406,137**	**9,840,879**
Lease liabilities (non-current)	–	406,137	406,137
Total non-current liabilities	**3,457,195**	**406,137**	**3,863,332**
Net assets	**5,977,547**	**–**	**5,977,547**

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

2. CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 16 *Leases* (continued)

c. Impact on the financial result, segment results and cash flows of the Group (continued)

The adoption of HKFRS 16 results in the following impacts to the Group's consolidated financial statements:

(i) Right-of-use assets with carrying amounts of HK$477,421,000 are added to property, plant and equipment as at 31 December 2019;

(ii) Lease liabilities has been recognised with carrying amounts of HK$410,508,000 as at 31 December 2019, out of which HK$66,035,000 and HK$344,473,000 are classified under current liabilities and non-current liabilities respectively; and

(iii) Interest expense arose from discounted lease liabilities at an amount of HK$28,081,000 has been recognised and classified under finance cost in the consolidated statement of profit and loss for the year ended 31 December 2019.

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts, the value of services rendered and gross rental income received and receivable from investment properties during the year.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, footwear products and leather products;

(b) the property investment and development segment is engaged in property investment and development;

(c) the agriculture and forestry segment is engaged in the cultivation of fruit trees and crops, rearing of livestock and aquatic products, forestation and sale of relevant agricultural products; and

(d) the others segment mainly comprises, principally, the Group's investment holding related management functions.

3. REVENUE AND SEGMENTAL INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that share of profits and losses of associates and joint ventures and finance costs are excluded from such measurement.

Business segments

The following tables present revenue and profit for the Group's business segments for the years ended 31 December 2019 and 2018.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**4,176,217**	4,007,246	**220,104**	211,234	**14,117**	9,717	**–**	–	**4,410,438**	4,228,197
Segment results	**256,922**	137,763	**939,988**	356,441	**(54,793)**	(58,708)	**(99,408)**	(90,633)	**1,042,709**	344,863
Reconciliation:										
— Share of losses of associates	**–**	(1)	**–**	–	**–**	–	**–**	(12)	**–**	(13)
— Share of profits of joint ventures	**–**	–	**–**	–	**–**	–	**151**	402	**151**	402
— Finance costs									**(204,067)**	(151,278)
Profit before tax									**838,793**	193,974

Geographical segments

Revenue from external customers

	2019	2018
	HK$'000	*HK$'000*
The People's Republic of China ("PRC"), including Hong Kong and Macau	**398,331**	390,186
The United States of America	**2,327,848**	2,429,034
Europe	**1,123,546**	799,588
Japan	**72,665**	62,217
Others	**488,048**	547,172
	4,410,438	4,228,197

The revenue information above is based on the destination to which goods and services are delivered.

4. OTHER INCOME AND GAINS, NET

For the year ended 31 December 2019, the Group recorded gains on disposal of construction in progress amounted to approximately HK$55,764,000. There were no such gains recognised during the year ended 31 December 2018.

5. DEPRECIATION AND AMORTISATION

Depreciation in respect of the Group's property, plant and equipment (including right-of-use assets) and bearer plants and amortisation in respect of the Group's prepaid land lease payments for the year ended 31 December 2019 amounted to approximately HK$142,936,000 (2018: HK$51,705,000) and HK$ nil (2018: HK$46,015,000), respectively. Upon the adoption of HKFRS 16, prepaid land lease payments were reclassified to right-of-use assets under property, plant and equipment as at 1 January 2019.

6. INCOME TAX

Income tax comprises current and deferred taxes.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Current tax for the year ended 31 December 2019 has also included a provision of tax expenses in regards to the development of a tax case in Hong Kong.

PRC Corporate Income Tax has been calculated at the rate of 25% (2018: 25%) on estimated assessable profits arising in the PRC. In addition, a provision of Corporate Income Tax on gain on disposal of certain assets in the PRC has been made during the year.

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. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$594,040,000 (2018: HK$140,003,000), and the weighted average number of ordinary shares of 12,982,892,000 (2018: 12,982,892,000) in issue, less shares held for share award scheme and treasury shares.

The calculation of diluted earnings per share is based on the profit for the year 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 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 calculations of basic and diluted earnings per share are based on:

	2019 ***HK$'000***	2018 *HK$'000*
Earnings		
Profit attributable to equity shareholders of the Company used in the basic and diluted earnings per share calculation	**594,040**	140,003

7. EARNINGS PER SHARE (continued)

	Number of shares	
	2019	2018
	'000	*'000*
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**12,982,892**	12,982,892
Effect of redeemable convertible preference shares	**776,733**	804,921
Effect of shares held for share award scheme	**206,161**	206,161
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**13,965,786**	13,993,974

The Company's share options have no dilution effect for the years ended 31 December 2019 and 2018 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

8. DIVIDENDS

The Company had not declared or paid any dividend during the year (2018: nil) and the Board did not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

9. INVESTMENT PROPERTIES, PROPERTIES UNDER DEVELOPMENT AND INVENTORIES

During the year ended 31 December 2019, certain properties under development of the Group in the amounts of HK$642,455,000 and HK$936,739,000 have been transferred from properties under development to investment properties and inventories respectively.

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from 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 the senior management.

An ageing analysis of trade receivables net of loss allowance as at the end of the reporting period based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**431,204**	537,586
91 to 180 days	**20,813**	46,980
181 to 365 days	**426**	5,781
Over 365 days	**2,043**	9,268
	454,486	599,615

11. TRADE PAYABLES

An ageing analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 90 days	**634,223**	547,225
91 to 180 days	**73,130**	38,937
181 to 365 days	**12,655**	11,151
Over 365 days	**58,138**	60,963
	778,146	658,276

The trade payables are non-interest-bearing and expected to be settled within one year.

12. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 (2018: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
3,000,000,000 (2018: 3,000,000,000) redeemable convertible preference shares of HK$0.02 each	**60,000**	60,000
Total authorised capital	**260,000**	260,000
Issued and fully paid:		
13,221,302,172 (2018: 13,221,302,172) ordinary shares of HK$0.01 each	**132,213**	132,213
378,813,131 (2018: 390,691,131) redeemable convertible preference shares of HK$0.02 each *(Note 1)*	**7,576**	7,814
Total issued and fully paid capital	**139,789**	140,027

12. SHARE CAPITAL (continued)

Movements of issued share capital and share premium were as follows:

	Issued ordinary shares *HK$'000*	Issued redeemable convertible preference shares *HK$'000*	Share premium *HK$'000*	Total *HK$'000*
At 1 January 2018	132,213	8,210	1,716,567	1,856,990
19,784,000 redeemable convertible preference shares redeemed during the year	–	(396)	(15,432)	(15,828)
At 31 December 2018 and at 1 January 2019	**132,213**	**7,814**	**1,701,135**	**1,841,162**
11,878,000 redeemable convertible preference shares redeemed during the year	**–**	**(238)**	**(9,264)**	**(9,502)**
At 31 December 2019	**132,213**	**7,576**	**1,691,871**	**1,831,660**

Movements of number of issued shares are as follows:

	No. of issued ordinary shares *'000*	No. of redeemable convertible preference shares *'000*
At 1 January 2018	13,221,302	410,475
Redeemed during the year	–	(19,784)
At 31 December 2018 and at 1 January 2019	**13,221,302**	**390,691**
Redeemed during the year	**–**	**(11,878)**
At 31 December 2019	**13,221,302**	**378,813**

Note:

(1) 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 shall be entitled to pro-rata share of 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 shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meetings 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 shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$4,410 million (2018: HK$4,228 million) for the year ended 31 December 2019 (the "Year"), representing a 4% increase as compared with 2018. Profit after tax was HK$556 million for the Year after adoption of HKFRS 16 with effect from 1 January 2019. Profit after tax excluding the impact of HKFRS 16 was HK$571 million (2018: HK$141 million), representing a 305% increase as compared with 2018. The increase was mainly attributable to the better performance of our Trading and Manufacturing segment amid the trade friction between China and the United States and fair value gain arose from the investment portion of the project in Shenyang, China, that has been re-measured at fair value as at 31 December 2019 pursuant to applicable accounting standards. Both revenue and profit for the year are the financial key performance indicators of the Group.

Earnings per share attributable to equity holders of the Company for the year was HK4.6 cents (2018: HK1.1 cents).

BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture and forestry.

Trading and Manufacturing

The trading and manufacturing segment mainly comprises (i) OEM manufacturing of toys products, and (ii) trading of footwear products. The segment recorded a 4% increase in revenue to HK$4,176 million (2018: HK$4,007 million) and a 86% increase in operating profit to HK$257 million for the Year (2018: HK$138 million).

(i) OEM toys manufacturing

The OEM toys operation achieved record-breaking revenue of HK$3,842 million, representing a 7% increase compared to last year amid the trade friction between China and the United States. The growth was largely attributable to our ability to provide one-stop integral solutions to customers, and thereby building continued loyalty and business from them. Many of the products manufactured by us for our customers were awarded world-acclaimed recognitions and awards.

While increasing production, the Group continued to improve its high quality services and timely delivery of products to our customers through our strong R&D and engineering department's commitment in providing technological solutions.

Operating profit of the operation has improved during the Year, mainly due to optimization of our production capability and capacity with a focus on the enhancement of information systems, simplification of the operation workflow and increase in efficiency through big data analytic systems. The depreciation of RMB also contributed to the improvement of operating profit during the Year.

A representative office was set up in Vietnam during the Year to explore productions and partnerships in geographical locations outside mainland China in order to expand our production capacity, product and customer mix.

(ii) Trading of footwear products

Revenue from the footwear trading operation decreased by 18% to HK$306 million during the Year, mainly attributable to decrease in sales orders from customers focusing in workboots products and the United States market. Overall profit from operations was HK$1.4 million (2018: HK$8.9 million) and the decrease was due to drop in revenue, and credit loss allowance provided against receivables from certain customers who have deferred their payments.

Property Investment and Development

Revenue from the property investment and development segment increased by 4% to HK$220 million during the Year. The operating profit, including a fair value gain on investment properties, amounted to HK$940 million during the Year.

Revenue from the segment represented rental income from our leasing portfolio in Nanjing, Tianjin and Shenyang. The Avenue of Stars ("AOS"), a fur-themed shopping mall which hosts major fur brands in Shenyang, continued to be one of the most popular fur mall in North East China. Rental income from Nanjing and Tianjin were both on an increasing trend during the Year.

In addition to our existing rental portfolios, we continue to focus on and develop our property project in Shenyang. The project, located on the eastern part of the most robust pedestrian street of the North-East known as Zhongjie (中街) of Dadong district, is named the Central Square. The project is also situated right above line 1 of the mass transit railway and will also be potentially intersected with line 6 under planning.

The project involves a total Gross Floor Area ("GFA") of over 500,000 square metres and is a mixed-use project with a heavy emphasis in city living and convenience to the residents. The first phase of the Central Square with an approximate GFA of 170,000 square metres, comprises of two residential towers, one serviced apartment tower and a retail podium, were substantially completed in late 2019. Up to the date of this announcement, over 90% of residential and serviced apartments that were pre-sold in 2019 and prior years have been successfully delivered to and accepted by buyers with satisfactory feedback. Also, the Group has started to receive offers in late 2019 from potential tenants for the shops at the retail podium. With its prime location situated right above a mass transit railway line and potential intersection with another line, together with a robust pedestrian street, it is envisioned that the Central Square will become a must-go place for retailers, consumers and local residents.

Agriculture and Forestry

Revenue from the agriculture and forestry segment increased by 45% to HK$14.1 million and operating loss has slightly improved to HK$55 million during the Year. The bearer plants balance decreased from HK$50 million as at 31 December 2018 to HK$36 million as at 31 December 2019; in terms of Renminbi, the functional currency of the relevant subsidiaries, the bearer plants balance decreased by 26% mainly due to the combined effect of write-off and depreciation of the bearer plants.

Impact of adoption of HKFRS 16

As disclosed in note 2 to this results announcement, the Group has initially applied HKFRS 16 with effect from 1 January 2019 and capitalized all leases when it is the lessee, other than those short-term leases and leases of low-value assets. Right-of-use assets (included in property, plant and equipment) stated at cost less accumulated depreciation and lease liabilities measured at amortized cost have been recognized. Interest expense on lease liabilities was presented as a component of finance costs during the year ended 31 December 2019. This resulted in an increase in profit from operations by HK$12.2 million and decrease in profit before tax by HK$15.9 million for the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Group had a current ratio of 1.4 and a gearing ratio of 27% (31 December 2018: 1.3 and 42%, respectively). The gearing ratio is computed by dividing the Group's total long-term bank borrowings of HK$1,745 million by the Group's equity of HK$6,393 million. The Group's operation 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 Renminbi and United States dollars. Foreign exchange risk arises from future commercial transactions, recognized 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

Except for the redemption of the redeemable convertible preference shares as detailed in note 12 to this announcement, there was no material change in the Group's capital structure.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiary or associated company during the year.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

There was no material change in the Group's pledge of assets and contingent liabilities.

PROSPECTS

The year of 2020 is very challenging given the dynamic changes in macroeconomic environment under the outbreak of the novel coronavirus and the trade friction between China and the United States which is expected to carry on. The management has been highly cautious under current market situation, taking extra precautions steps to safeguard the safety of all of our employees. Meanwhile, the Group has been implementing cost reduction measures, consolidating and optimizing resources to achieve higher efficiency and reduce overheads in order to maintain competitiveness and ensure business continuity during the difficult market environment in a foreseeable short to medium term. In the long run, nonetheless, the Group will continue to pursue prudent long-term strategies and explore business opportunities in Hong Kong and China.

Trading and Manufacturing

OEM toys manufacturing

The Group has proved successful in providing one-stop integral solutions to customers with service quality, high operating efficiency and effective cost controls. The long-standing customer loyalty and world-class engineering capability of our OEM toys operation has contributed to the Group's solid performance in 2019 and is expected to win trust and orders from customers in 2020. Despite our operation has been temporarily suspended under the Chinese Government's instruction after Lunar New Year of 2020, all eight of our production plants, situating across two provinces, four cities and eight locations in mainland China, have quickly completed local safety regulations and resumed production within a very short period of time. As at the date of this announcement, our production capacity is almost fully resumed.

In view of the rapid change of global economy, we will continue to provide better services and products through enhancing product quality and shifting production capacity from Shenzhen and Dongguan to Guangxi. We will also maintain our strengths in manufacturing high-tech toys such as robots, drones and sensing devices connected through Wi-Fi, bluetooth or other mediums. The Group is closely reviewing and revising its business strategies based on current market changes.

Property Investment and Development

Property Investment

The Group has a property investment portfolio with total floor area of approximately 630,000 square metres in mainland China and 280,000 square feet (approximately 26,000 square metres) in Hong Kong. The investment properties in mainland China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

The rental portfolio in Nanjing and Tianjin is expected to continue its upside trend in 2020 after an expected recovery of consumption by local residents. The implementation of commercialization and transformation strategy across our portfolio will be carried on, including but not limited to the Avenue of Stars ("AOS"), which is currently one of the most popular fur-themed shopping mall in Shenyang, in order to improve its pedestrian flow and rental contribution. The Group has commenced its plan to transform AOS into a mall with diversity, maintaining its strong presence of major fur brands while bringing in new tenants fitting the various tastes of customers with an emphasis on shopping experience and families. In addition to AOS, the Group has started to receive tenancy offers in late 2019 for the retail podium at the Central Square and it is expected to generate revenue in 2020.

Across our rental portfolio in Hong Kong and China, the Group has received requests of rental reliefs under current market situation. Whilst it is expected that these reliefs will inevitably pose financial impact to the Group in 2020, currently it is not expected they will have a significant impact to the overall operations of the Group in the long term.

Property Development

In Shenyang, the construction work of one residential tower and one serviced apartment tower in the Central Square were completed in late 2019. With its prime location situated right above a mass transit railway line and potential intersection with another line, together with a robust pedestrian street of restaurants, boutiques and shops, the Central Square is a prime residential area in Shenyang and the management is cautiously optimistic on its contribution in 2020 and onwards.

The second phase of the Central Square in the Northern part of Dadong site, which is directly opposite from the pedestrian street to the above, is in the process of re-settling non-residential units. It is also a mixed development project, and the positioning will be thematically in line with the Southern part, with a slightly higher class distinction.

Our land bank in the Tianjin Wuqing district provides us with a potential site area of over 200,000 square metres, with approximately 88,000 square metres having paid the land premium and has recently commenced its feasibility study and development plan. In light of the development of the capital economic circle concept (京津冀首都經濟圈) and that the Tianjin government (天津市政府) had announced the plan to develop the Wuqing district into a university zone (京津冀協同發展國家大學創新園區) which is nearby our development site, we are cautiously optimistic to its future contributions.

The industrial land use conversion at Nanjing and Tianjin to commercial use will continue to be our area of focus. Our property development team will capitalise its experience of successful conversions to turn our land banks for high value and returns.

Agriculture and Forestry

The Group currently has long-term leases of over 526,000 mu (approximate to 351 million square metres) 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 apple, winter date, peach, pear and corn; and breeding of livestock such as pigs for sale. The Group will continue to explore plantation opportunities for species of high profit margin, improve sales distribution channels and continue cost-cutting efforts in order to improve revenue and operating results.

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 less 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 realized 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 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 and macroeconomic environment.

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 will conduct regular reviews and focus on mitigating the risks exposure of each business unit.

UPDATE ON LITIGATION PROCEEDINGS

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

Infringement of copyrights case

Reference is made to the announcement made by the Company dated 5 December 2016 in relation to the litigation in the People's Republic of China ("PRC") concerning infringement of copyrights of certain computer software that belong 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").

On 31 January 2000, Janful Limited, an indirect wholly-owned subsidiary of the Company, and Nanjing Skytech Co., Limited (南京擎天科技有限公司) ("Nanjing Skytech") entered into a joint venture agreement to set up South China Skytech to engage, mainly, in software development, research, sales and after-sales service, system integration and other related electronic business.

In or about 2003, business of South China Skytech further deteriorated and suffered serious loss. Upon investigations, it was found that Nanjing Skytech illegally transferred all the computer software belonging to South China Skytech ("Computer Software") for its own use and registered the ownership of the copyrights of the Computer Software under its own name or under the name of Nanjing Skytech Software Technology Co., Limited (南京擎天軟件科技有限公司) ("Skytech Software"), rendering South China Skytech unable to continue its business. On the other hand, the assets and profits of Nanjing Skytech continued to increase and eventually Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司) ("Sinosoft"), the parent company of Nanjing Skytech, was listed on the Stock Exchange of Hong Kong in 2013 (stock code: 1297).

South China Skytech commenced legal proceedings in Jiangsu High People's Court ("Jiangsu High Court") against, inter alia, Nanjing Skytech seeking the Jiangsu High Court to determine that the ownership of the copyrights of a total of 31 Computer Software do belong to South China Skytech; and that Nanjing Skytech do pay South China Skytech damages in the sum of RMB210.4 million (to be assessed) for infringement of copyrights.

On 28 November 2016, the Jiangsu High Court delivered its first instance judgment on the Computer Software copyrights ownership. The Jiangsu High Court determined that during the period from March 2000 to March 2003, Nanjing Skytech basically had no employees. Not only that, before 2002, Nanjing Skytech had no fixed assets and therefore it did not have the necessary means to develop the Computer Software. The development of the Computer Software was mainly relied on South China Skytech's manpower and physical technology capability. The Jiangsu High Court also determined that Nanjing Skytech and Skytech Software had exploited South China Skytech's physical technology capability to develop the Computer Software and registered the ownership of the copyrights of the Computer Software under their respective names. Such actions did not comply with the basic principles of copyright laws. The ownership of the copyrights of a total of 13 Computer Software was held belong to South China Skytech.

The Company wishes to give an update that all parties in the said infringement of copyrights case have appealed to the Supreme People's Court of China. The Supreme People's Court of China issued a ruling on 26 October 2018 which revoked the first-instance judgment and sent the case back to the Jiangsu High Court for retrial.

After holding a pre-trial conference on 31 July 2019, the Jiangsu High Court conducted a hearing in relation to the retrial of the case on 22 October 2019. Nanjing Skytech challenged the presiding judge at the beginning of the trial. The Jiangsu High Court rejected the request of challenge for untenable reason, and held that during more than two-and-a-half months of the pre-trial proceedings prior to the establishment of the trial, the two parties have completed numerous written exchanges of cross-examination and arguments, and Nanjing Skytech had never challenged the presiding judge, but did so at the time of the trial, which was an open violation of good faith lawsuit. Currently, the Company is awaiting the retrial date to be notified by the Jiangsu High Court.

The Company considers that Nanjing Skytech has seriously violated the principle of good faith, and was actually a shell company, basically with no employees, no office base and no capital. It had no means whatsoever to develop any computer software. Therefore, the Company considers that the remaining 18 Computer Software were also developed using the manpower and physical technology capabilities of South China Skytech and therefore the ownership of the copyrights of the remaining 18 Computer Software should also belong to South China Skytech. The Company will explore every possible course of action to claim for the ownership of the remaining 31 Computer Software.

In addition, it is noted that Sinosoft had disclosed in its prospectus dated 27 June 2013 of its alleged ownership of certain computer software. The Company considers that most of these computer software were also subsequently developed from the Computer Software belonging to South China Skytech. The Company will explore every possible course of action to claim against Nanjing Skytech and/or Sinosoft for infringement of copyrights by these computer software and to seek an injunction prohibiting Nanjing Skytech and/or Sinosoft to continue to sell and/or use these computer software.

Liability dispute of damaging the interests of the Company case

Reference is made to the announcement of the Company dated 20 July 2016 in relation to the final judgment made by the Jiangsu High Court against Nanjing Skytech, Ms. Xin Yingmei, Mr. Wang Xiaogang and Mr. Zhang Hong (the "Defendants") who had breached the non-competition obligation under PRC Company Law and were liable to pay all the gain therefrom to South China Skytech as follows:

1. Ms. Xin Yingmei, Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall pay RMB22,533,377.09 to South China Skytech;

2. Ms. Xin Yingmei shall pay RMB4,392,329.95 to South China Skytech. Mr. Wang Xiaogang, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment;

3. Mr. Wang Xiaogang shall pay RMB691,859.56 to South China Skytech. Ms. Xin Yingmei, Mr. Zhang Hong and Nanjing Skytech shall be jointly liable to the payment; and

4. Mr. Zhang Hong shall pay RMB288,274.85 to South China Skytech. Ms. Xin Yingmei, Mr. Wang Xiaogang and Nanjing Skytech shall be jointly liable to the payment.

The Jiangsu Immediate People's Court had frozen a bank account held by Nanjing Skytech with a total sum of approximately RMB28 million in February 2017. As all parties have appealed to the Supreme People's Court of China for retrial, the Supreme Court remitted the case back to the Jiangsu High Court for retrial on 8 April 2019. Jiangsu High Court accepted the case on 13 June 2019. At present, the Company is waiting for further instructions from the Jiangsu High Court.

(ii) Development right of a piece of land situate at Tianjin Binhai New District

In April 1993, World Right Investments Limited (環威投資有限公司) ("World Right"), an indirect wholly-owned subsidiary of the Company, and Tianjin Tanggu Property Development Company Limited (天津塘沽房地產開發股份有限公司) (currently known as Binhai Investment Group Holding Company Limited (濱海投資集團股份有限公司) ("Binhai Investment Group")) formed a joint venture company in the PRC known as Tianjin South China Property Development Company Limited (天津南華房地產開發有限公司) ("South China Property"). World Right holds 51% equity interest in South China Property.

In June 1993, World Right and Binhai Investment Group entered into a joint development agreement (the "Development Agreement"). It was agreed under the Development Agreement, inter alia, that World Right and Binhai Investment Group shall jointly develop a piece of land situate at Tianjin Binhai New District with an area about 5 hundred thousand square metres (the "Involved Land") and World Right shall pay RMB10.4 million in cash to increase the capital investment in South China Property. World Right duly paid the capital investment of RMB10.4 million which had been used for formation of the Involved Land. However, Binhai Investment Group failed to perform the Development Agreement, and did not recognize that World Right and Binhai Investment Group had joint right to develop the Involved Land.

In 2013, World Right commenced legal proceedings in Tianjin High People's Court ("Tianjin High Court") against Binhai Investment Group claiming for specific performance of the Development Agreement.

In December 2015, the Tianjin High Court overruled World Right's claim. World Right appealed to the Supreme People's Court of China. In September 2016, the Supreme People's Court of China (the "Supreme Court") determined that the Tianjin High Court had ruled that Tianjin Cheng Tou Binhai Property Company Limited (天津城投濱海房地產經營有限公司) ("Cheng Tou Binhai") shall have the land use right of the Involved Land without investigating the status of the registration of the land use right and the status of the development right of the Involved Land. Under such circumstances, the Supreme Court held that there was insufficient evidence to reject World Right's claim for specific performance and ordered a retrial of the case at the Tianjin High Court. On 29 December 2018, the Tianjin High Court overruled the claim of World Right on the ground that the Development Agreement could not be performed in fact for 290,000 square metres of the Involved Land that had been actually developed and constructed in 2017. World Right has filed an appeal to the Supreme Court within the statutory time limit on the ground that the development of the 290,000 square metres land was illegal and the remaining land still met the conditions for performance of the agreement. On 30 December 2019, the Supreme Court overruled World Right' appeal and sustained the original judgment. World Right will discuss the feasibility of the procedure for trial supervision, in order to explore every possible course of action to protect its rights.

In October 2018, South China Property filed a malicious collaboration lawsuit against Binhai Investment Group, Cheng Tou Binhai, Tianjin Binhai New Area Construction Investment Group Co., Ltd. (天津市濱海新區塘沽城市建設投資集團有限公司), the People's Government of Binhai New Area of Tianjin and the Binhai New Area Planning & Land Resources Administration of Tianjin. In January 2019, it filed another lawsuit against Binhai Investment Group and Cheng Tou Binhai in relation to the tort dispute. The two cases are now under the procedure of first instance.

In addition, the courts rejected all administrative procedures initiated by World Right and South China Property for the issue of land use certificates, project planning certificates and property rights certificates of the Involved Land for the reason of capacity as a subject or statute of limitations. World Right and South China Property is seeking legal advice to protect the interests and rights of the Involved Land.

Subject to inherent uncertainties of litigations, in the event of favourable outcome of the litigation cases, it is expected that World Right and/or South China Property may restore the joint development right of certain area of land in Tianjin Binhai.

In or about July 2017, the relevant Tianjin government department ordered to stop the construction works of a real estate development situated on portion of the Involved Land ("the said Real Estate Development") for the reason that the necessary construction permit for the said Real Estate Development has not been issued, and to pay administrative fine. According to information obtained from investigation, Tianjin Sino Ocean Hua Zi Zhi Ye Company Limited ("Sino Ocean Hua Zi"), an indirect subsidiary of Sino-Ocean Group Holding Limited (stock code: 3377) acted as the developer of the said Real Estate Development. However, according to evidence produced at the litigation proceedings held at the Tianjin High Court, Sino Ocean Hua Zi does not have the land use right certificate regarding the said Real Estate Development. On the face of the evidence available, the obtaining of the development right by Sino Ocean Hua Zi was in breach of the applicable PRC laws. According to Article 39 of the Urban Real Estate Administration Law of the People's Republic of China, 25 percent or more of the total investment shall have been spent on the housing development project before transferring the land use right. World Right will explore every possible course of action to protect its rights under the Development Agreement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

CORPORATE GOVERNANCE CODE

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2019 except that Mr. Ng Hung Sang, the chairman of the Board and an Executive Director of the Company, Ms. Cheung Choi Ngor, an Executive Director, Mr. Ng Yuk Yeung Paul, an Executive Director, Mr. Ng Yuk Fung Peter,a Non-executive Director and Mr. Kam Yiu Shing Tony, an Independent Non-executive Director, were unable to attend the annual general meeting of the Company held on 18 June 2019, which deviated from code provision E.1.2 and A.6.7 of the CG Code as they had other important business engagements.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee presently comprises four Independent Non-executive Directors, namely Mr. Kam Yiu Shing Tony (Chairman of the Audit Committee), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. and one Non-executive Director, namely Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by Directors. 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 year ended 31 December 2019.

ANNUAL GENERAL MEETING

The Company's 2020 annual general meeting will be held on Tuesday, 16 June 2020 and the notice will be published and issued to shareholders of the Company in due course.

PUBLICATION OF ANNUAL RESULTS AND 2019 ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.scholding.com). The annual report of the Company for the year ended 31 December 2019 will be dispatched to the shareholders of the Company and made available on the same websites in due course.

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

Hong Kong, 24 March 2020

As at the date of this announcement, the Directors are: (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Mr. Ng Yuk Yeung Paul as Executive Directors; (2) Ms. Ng Yuk Mui Jessica, Mr. Ng Yuk Fung Peter, Mr. David Michael Norman and Ms. Li Yuen Yu Alice as Non-executive Directors; and (3) Mr. Chiu Sin Chun, Mr. Kam Yiu Shing Tony, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. as Independent Non-executive Directors.