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 2018

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 2018 together with comparative figures for the last financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*3*	**4,228,197**	3,901,796
Cost of sales		**(3,651,285)**	(3,328,548)
Gross profit		**576,912**	573,248
Other income and gains, net	*4*	**67,478**	162,331
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**315,643**	289,053
Fair value loss on financial assets measured at fair value through profit or loss		**(1,092)**	(2,462)
Selling and distribution expenses		**(71,613)**	(72,399)
Administrative expenses		**(540,550)**	(513,634)
Equity-settled share award and share options expenses		**(1,915)**	(4,736)
Profit from operations	*3&5*	**344,863**	431,401

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

	Note	**2018** *HK$'000*	2017 *HK$'000*
Finance costs		**(151,278)**	(127,048)
Share of losses of associates		**(13)**	(604)
Share of profits of joint ventures		**402**	–
Profit before tax		**193,974**	303,749
Income tax	*6*	**(53,241)**	(55,617)
Profit for the year		**140,733**	248,132
Attributable to:			
Equity shareholders of the Company		**140,003**	229,872
Non-controlling interests		**730**	18,260
		140,733	248,132
Earnings per share	*7*		
Basic		**HK1.08 cents**	HK1.77 cents
Diluted		**HK1.00 cents**	HK1.64 cents

Details of the dividends paid and proposed for the year are set out in note 8.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**140,733**	248,132
Other comprehensive income (after tax and reclassification adjustments)		
Items that may be reclassified to profit or loss in subsequent periods (nil of tax effect):		
Available-for-sale financial assets:		
– Net changes in fair value	**–**	33,442
Exchange differences on translation of financial statements of operations outside Hong Kong	**(286,792)**	337,962
Release of exchange reserve upon step acquisition	**–**	(1,091)
Share of other comprehensive income of associates	**(1)**	5,236
Other comprehensive income for the year	**(286,793)**	375,549
Total comprehensive income for the year	**(146,060)**	623,681
Attributable to:		
Equity shareholders of the Company	**(121,830)**	570,877
Non-controlling interests	**(24,230)**	52,804
	(146,060)	623,681

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**190,665**	180,565
Investment properties	*9*	**7,726,642**	6,062,534
Prepaid land lease payments		**77,825**	82,969
Construction in progress		**149,713**	158,003
Investments in associates		**20**	1,374
Investments in joint ventures		**2,224**	–
Bearer plants		**49,692**	63,536
Available-for-sale financial assets		**–**	106,902
Financial assets measured at fair value through profit or loss		**114,487**	–
Prepayments and deposits		**24,675**	20,958
Goodwill		**3,017**	3,106
Other non-current assets		**15,278**	15,638
Total non-current assets		**8,354,238**	6,695,585
CURRENT ASSETS			
Inventories		**625,756**	577,305
Properties under development		**1,898,847**	1,597,326
Trade receivables	*10*	**599,615**	538,310
Prepayments, deposits and other receivables		**864,904**	792,500
Financial assets measured at fair value through profit or loss		**16,495**	26,050
Foreign exchange forward contracts		**–**	25,660
Amounts due from non-controlling shareholders of subsidiaries		**28,424**	56,153
Amounts due from joint ventures		**435**	–
Tax recoverable		**58,592**	57,300
Cash and bank balances		**847,112**	713,029
		4,940,180	4,383,633
Non-current assets classified as held for sale	*9*	**272,000**	1,883,000
Total current assets		**5,212,180**	6,266,633
CURRENT LIABILITIES			
Trade payables	*11*	**658,276**	668,987
Other payables and accruals		**1,099,638**	787,536
Interest-bearing bank borrowings		**2,146,655**	1,744,489
Foreign exchange forward contracts		**18,966**	–
Amounts due to non-controlling shareholders of subsidiaries		**8,444**	5,221
Amount due to a related party		**137,166**	–
Tax payable		**62,531**	54,998
Total current liabilities		**4,131,676**	3,261,231
NET CURRENT ASSETS		**1,080,504**	3,005,402
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,434,742**	9,700,987

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	**As at 31 December 2018** ***HK$'000***	As at 31 December 2017 *HK$'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**2,497,447**	2,577,109
Advances from non-controlling shareholders of subsidiaries		**7,941**	7,941
Other non-current liabilities		**70,474**	74,323
Deferred tax liabilities		**881,333**	904,094
Total non-current liabilities		**3,457,195**	3,563,467
NET ASSETS		**5,977,547**	6,137,520
CAPITAL AND RESERVES			
Share capital	*12*	**140,027**	140,423
Reserves		**5,489,675**	5,625,022
Total equity attributable to equity shareholders of the Company		**5,629,702**	5,765,445
Non-controlling interests		**347,845**	372,075
TOTAL EQUITY		**5,977,547**	6,137,520

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Principal 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 2018.

The accounting policies and basis of preparation adopted in the financial statements are consistent with those adopted in the Group's audited 2017 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 Hong Kong Institute of Certificate Public Accountants has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9, *Financial instruments*
HKFRS 15, *Revenue from contracts with customers*
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to presentation of contract liabilities. Details of the changes in accounting policies are disclosed below. Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018, comparative information is not restated.

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained profits and available-for-sale financial assets revaluation reserve at 1 January 2018:

	HK$'000
Retained profits	
Transferred from available-for-sale financial assets revaluation reserve relating to financial assets now measured at fair value through profit or loss ("FVPL") and increase in retained profits at 1 January 2018	89,307
Available-for-sale financial assets revaluation reserve	
Transferred to retained profits relating to financial assets now measured at FVPL and decrease in available-for-sale financial assets revaluation reserve at 1 January 2018	(89,307)

2. Changes in accounting policies (continued)

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

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at FVPL. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9:

	HKAS 39 carrying amount at 31 December 2017	Reclassification	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Financial assets measured at FVPL	–	106,902	106,902
Financial assets classified as available-for-sale under HKAS 39	106,902	(106,902)	–

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

B. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and bank balances, trade receivables, financial assets included in prepayments, deposits and other receivables, advances to associate, amounts due from non-controlling shareholders of subsidiaries and amounts due from joint ventures); and
- lease receivables.

2. Changes in accounting policies (continued)

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

There is no significant impact on the Group's financial position and financial result upon initial application at 1 January 2018. Comparative information continues to be reported under HKASs 11 and 18.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sale of goods and revenue from provision of services.

b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The adoption of HKFRS 15 does not have a significant impact on the Group's financial position and financial result as the Group's contracts with customers do not contain any significant financing component.

2. Changes in accounting policies (continued)

c. Presentation of contract liabilities

Under HKFRS 15 a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue.

To reflect these changes in presentation, the Group has made reclassification adjustments at 1 January 2018, as a result of the adoption of HKFRS 15.

HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This Interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of HK(IFRIC) 22 does not have any significant impact on the Group's financial position and financial result.

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 investment holding segment comprises, principally, the Group's investment holding related management functions.

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.

3. Revenue and segmental information (continued)

Business segments

The following tables present revenue and profit for the Group's business segments for the years ended 31 December 2018 and 2017.

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**4,007,246**	3,692,043	**211,234**	195,426	**9,717**	14,327	**–**	–	**4,228,197**	3,901,796
Segment results	**137,763**	91,416	**356,441**	515,546	**(58,708)**	(48,515)	**(90,633)**	(127,046)	**344,863**	431,401
Reconciliation:										
– Share of (losses)/profits of associates	**(1)**	(605)	**–**	–	**–**	–	**(12)**	1	**(13)**	(604)
– Share of profits of joint ventures	**–**	–	**–**	–	**–**	–	**402**	–	**402**	–
– Finance costs									**(151,278)**	(127,048)
Profit before tax									**193,974**	303,749

Geographical segments

Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
The People's Republic of China ("PRC"), including Hong Kong and Macau	**390,186**	369,333
The United States of America	**2,429,034**	2,045,478
Europe	**799,588**	812,355
Japan	**62,217**	73,330
Others	**547,172**	601,300
	4,228,197	3,901,796

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 2017, the Group recorded gains on disposal of an investment property and interest in a subsidiary amounted to approximately HK$42,080,000 and HK$88,984,000 respectively. 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 and bearer plants and amortisation in respect of the Group's prepaid land lease payments for the year ended 31 December 2018 amounted to approximately HK$51,705,000 (2017: HK$49,963,000) and HK$46,015,000 (2017: HK$44,685,000), respectively.

6. Income tax

Income tax comprises current and deferred taxes.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective countries/jurisdictions in which the Group operates.

Deferred tax is provided, using the liability method, 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$140,003,000 (2017: HK$229,872,000), and the weighted average number of ordinary shares of 12,982,892,000 (2017: 12,981,705,000) in issue, after adjusting for the bonus 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, after adjusting for the bonus issue.

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to equity shareholders of the Company used in the basic and diluted earnings per share calculation	**140,003**	229,872

	Number of shares	
	2018	2017
	'000	*'000*
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**12,982,892**	12,981,705
Effect of redeemable convertible preference shares	**804,921**	835,617
Effect of shares held for share award scheme	**206,161**	207,348
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**13,993,974**	14,024,670

The Company's share options have no dilution effect for the years ended 31 December 2018 and 2017 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 (2017: nil) and the Board did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: nil).

9. Investment properties and non-current assets classified as held for sale

During the year ended 31 December 2018, certain properties of the Group with an aggregated value of HK$1,627,000,000 have been transferred from non-current assets classified as held for sale to investment properties.

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. The Group does not hold any collateral or other credit enhancements over these balances.

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:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**537,586**	506,467
91 to 180 days	**46,980**	18,354
181 to 365 days	**5,781**	5,559
Over 365 days	**9,268**	7,930
	599,615	538,310

11. Trade payables

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**547,225**	517,889
91 to 180 days	**38,937**	61,434
181 to 365 days	**11,151**	12,807
Over 365 days	**60,963**	76,857
	658,276	668,987

The trade payables are non-interest-bearing and normally settled on 90-day terms.

12. Share capital

	2018 *HK$'000*	2017 *HK$'000*
Authorised:		
20,000,000,000 (2017: 20,000,000,000) ordinary shares of HK$0.01 each	**200,000**	200,000
3,000,000,000 (2017: 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 (2017: 13,221,302,172) ordinary shares of HK$0.01 each	**132,213**	132,213
390,691,131 (2017: 410,475,131) redeemable convertible preference shares ("CPS") of HK$0.02 each *(Note 1)*	**7,814**	8,210
Total issued and fully paid capital	**140,027**	140,423

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 2017	104,071	8,496	1,755,891	1,868,458
14,336,000 redeemable convertible preference shares redeemed during the year	–	(286)	(11,182)	(11,468)
Issue of bonus shares during the year *(Note 2)*	28,142	–	(28,142)	–
At 31 December 2017 and 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	**132,213**	**7,814**	**1,701,135**	**1,841,162**

12. Share capital (continued)

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 2017	10,407,117	424,811
Redeemed during the year	–	(14,336)
Issue of bonus shares during the year *(Note 2)*	2,814,185	–
At 31 December 2017 and at 1 January 2018	**13,221,302**	**410,475**
Redeemed during the year	**–**	**(19,784)**
At 31 December 2018	**13,221,302**	**390,691**

Notes:

(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.

(2) Pursuant to the resolution passed at the extraordinary general meeting of the Company held on 23 December 2016, bonus shares were issued to shareholders whose names appeared on the register of members of the Company on 5 January 2017, the Record Date, on the below basis:

(a) every four existing shares held by the ordinary shareholders whose names appear in the register of members of the Company on the Record Date; or

(b) every four shares that could be converted on an "as converted" basis as if all the outstanding CPS held by the CPS holder(s), whose name(s) appear(s) in the register of CPS holders of the Company on the Record Date, were converted in full at their effective conversion price immediately before the Record Date.

Upon completion of bonus issue on 9 January 2017, an amount of HK$28,141,849 standing to the credit of the share premium account was applied to pay up 2,814,184,886 ordinary shares of HK$0.01 each which were allotted and issued as fully paid, ranking pari passu with existing shares to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK$4,228 million (2017: HK$3,902 million) and profit of HK$140.7 million (2017: HK$248.1 million) for the year ended 31 December 2018, representing an increase of 8% and a decrease of 43% respectively, as compared to corresponding amounts reported in 2017. The decrease was mainly attributable to the lack of an one-off non-recurring gain on disposal of investment properties amounted to HK$131.1 million in last year. 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 HK1.08 cents (2017: HK1.77 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 9% increase in revenue to HK$4,007 million (2017: HK$3,692 million) and a 51% increase in operating profit to HK$137.8 million (2017: HK$91.4 million) for the year ended 31 December 2018.

(i) OEM toys manufacturing

The OEM toys operation achieved a record-breaking revenue of HK$3,602 million, representing a 6% increase compared to last year. The growth was mainly attributable to the ongoing improvement in our provision of one-stop integral solutions to customers and therefore enhanced customer loyalty which continuously win trusts and business from them. Our customers also win as this can be seen with many of our manufactured products being awarded world-acclaimed recognitions and awards such as “Innovation Toy of the Year 2018” at the North American International Toy Fair.

While increasing production, the Group managed to provide high quality on timely delivery of products to our customers throughout the year and this is mainly attributable to the professionalism of our R&D and engineering department in providing continuous modification and technological solutions.

Facing the increase in material and labour costs, we continue to optimize our production capability and capacity. The Group focused on enhancing the performance of computer systems, simplifying the operation workflow and increasing efficiency through big data analytic systems. The new factories in Guangxi and Dongguan opened in last two years are able to cope with the increase in production and to provide a base with lower labour costs.

(ii) Trading of footwear products

During the year ended 31 December 2018, revenue from the footwear trading operations increased by 52% to HK$371.6 million, mainly attributable to increase in sales volume from customers. Overall results from operations has improved to a profit of HK$8.9 million in 2018 due to increase in sales volume and gross profit margin.

Property Investment and Development

During the year ended 31 December 2018, revenue of the property investment and development segment increased by 8% to HK$211.2 million. The operating profit, which included fair value gain on investment properties, has decreased by 31% to HK$356.4 million in 2018 mainly due to the lack of a gain on disposal of investment properties in last year.

Rental income remained stable during the year. The Avenue of Stars ("AOS"), a fur-themed shopping mall which hosts major fur brands in Shenyang, has continued to be one of the most reputable and successful fur mall in Liaoning and has a significant share of the fur retail market. Furthermore, our rental portfolio in Nanjing and Tianjin reported an increase in rental income during the year primarily came from increment in rental rates in both regions.

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 to be constructed in next few years.

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 on city living and convenience to the residents. The first phase of the Central Square with an approximate salable GFA of 140,000 square metres, comprises two residential towers, one serviced apartment tower and a retail podium. The construction work of underground space, commercial podium and the sales office were completed in prior year; the construction of residential and serviced apartment towers are well underway and in the process of completion as scheduled. Meanwhile, over 70% of pre-sale residential and serviced apartments have been sold; it is planned that we will launch the selling of the remaining units of one residential tower and one serviced apartment tower in 2019. With its prime location situated right above a mass transit railway line and potential intersection with another one, 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 and operating loss from the agriculture and forestry segment was HK$9.7 million and HK$58.7 million in 2018, representing a 32% decrease and a 21% increase as compared to 2017, respectively. The bearer plants balance decreased from HK$63.5 million as at 31 December 2017 to HK$49.7 million as at 31 December 2018; in terms of Renminbi, the functional currency of the relevant subsidiaries, the bearer plants balance decreased by about 18%. The decrease was mainly due to the combined effect of write-off and depreciation of bearer plants, and exchange realignment derived from RMB depreciation.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had a current ratio of 1.3 and a gearing ratio of 41.8% (31 December 2017: 1.9 and 42.0%, respectively). The gearing ratio is computed by dividing the Group's total long-term bank borrowings of HK$2,497 million by the Group's equity of HK$5,978 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, 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

Except for the issue of bonus shares and 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

Going forward, 2019 will be another challenging year given the dynamic changes in the macroeconomic environment worldwide. The ongoing trade friction between China and the United States and the increasing manufacturing cost will create significant uncertainties to global market. Facing such a challenging backdrop, the management will continue to take precautionary actions to minimise material negative impact to the Group. At the same time, the management will adhere to prudent long-term strategies to explore businesses opportunities in China and continue to drive revenues while at the same time be cost conscious to generate returns and create value for our shareholders.

Trading and Manufacturing

OEM toys manufacturing

The Group aims to provide one-stop integral solutions to customers, with better service quality, higher operating efficiency and more effective cost control. To meet the target, we will continue fine tuning pricing strategy in response to rising labor and raw materials cost, while expanding product range and customer base.

We will focus on consolidating our existing orders to grow steadily, while continue to explore possibilities in expanding product category. We will keep up our success in producing toy robots, drones and sensing devices connected through Wi-Fi, blue tooth or other mediums.

The Group has traditionally invested heavily in the R&D and engineering department and will increase its capital investment into process technology and upgrade mechanical automation of manufacturing high-tech toys. We have set up the Wah Shing Academy in 2017 to provide continuous education, collaboration of know-how and to further emphasize lean manufacturing. Management will continue to expand research departments and collaborations with various academic institutions with China to further increase its competitiveness and expertise in this field. We will also get our Wah Shing Academy accreditation with various reputable institutions.

Furthermore, the Group will further expand its production capacity in addition to two new factories in Guangxi and Dongguan opened in prior years, and has identified a few suitable existing plants to support our business growth in future.

In view of the rapid change of global economy arose from the ongoing trade friction between China and the United States, the Group is constantly reviewing and navigating its business strategies based on the market changes.

Property Investment and Development

Property Investment

The Group has a property investment portfolio with total floor area of approximately 580,000 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.

With the management team effort, the Avenue of Stars has become a major fur-themed shopping mall in Shenyang and the management team will continue to increase the pedestrian flow so as to further increase its rental contribution in future. We will continue to market Avenue of Stars as the leading fur mall in Northern China and will build upon the significant market share that we have managed to capture over the last few years.

Nanjing and Tianjin rental portfolio is expected have a continuing upside in 2019 and onwards as we are in progress of implementing our commercialisation strategy across the portfolio.

Meanwhile, the Group is actively considering offload non-core and low-contribution properties in Hong Kong and in mainland China in order to reallocate resources to more promising investment properties or land banks.

Property Development

The construction work of the first phase of the Central Square in the Southern part of our Dadong site in Shenyang is well underway and in the process of completion as scheduled. With its prime location situated right above one mass transit railway line and potential intersection with another line, together with a robust pedestrian street, the Central Square will become a prime shopping and residential area in Shenyang with a mix of trendy bars and restaurants, boutiques, department stores, shopping malls and hotels. It is planned that we will launch the selling of the remaining units of one residential tower and one serviced apartment tower in 2019.

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 South, with a slightly higher class distinction.

Our existing 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 which 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 the plan of Tianjin government 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 capitalize 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 530,000 mu (approximate to 353 million square metres) 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 apple, winter date, peach, pear and corn; and breeding of livestock such as pig for sale. The Group will continue to explore plantation opportunities for high profit margin species and focus on improving the sales distribution channels so as to improve the revenue and also the operating results of the segment.

Management will continue their effort in cost control and efficient resource utilisation with a view to containing costs.

PRINCIPAL RISKS AND UNCERTAINITIES

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 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 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 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 softwares 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 softwares belonging to South China Skytech ("Computer Softwares") for its own use and registered the ownership of the copyrights of the Computer Softwares 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 Softwares 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 Softwares 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 Softwares. The development of the Computer Softwares 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 Softwares and registered the ownership of the copyrights of the Computer Softwares 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 Softwares 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.

The Company considers that Nanjing Skytech was in fact an empty 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 Softwares 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 Softwares should also belong to South China Skytech. The ruling of the Supreme People's Court of China disregarded facts and imposed material injustice. The Company will explore every possible course of action to claim for the ownership of the remaining 31 Computer Softwares.

In addition, it is noted that Sinosoft had disclosed in its prospectus dated 27 June 2013 of its alleged ownership of certain computer softwares. The Company considers that most of these computer softwares were also subsequently developed from the Computer Softwares 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 softwares and to seek an injunction prohibiting Nanjing Skytech and/or Sinosoft to continue to sell and/or use these computer softwares.

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 case is currently at the stage of retrial application review.

(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 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 "5 Hundred Thousand Square Metres 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 paying land formation work of the 5 Hundred Thousand Square

Metres Land. However, Binhai Investment Group refused to perform the Development Agreement and refused to recognize that the development right of the 5 Hundred Thousand Square Metres Land shall be jointly owned by World Right and Binhai Investment Group.

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 determined that the Tianjin High Court had failed to investigate the status of the registration of the land use right and the status of the development right of the 5 Hundred Thousand Square Metres Land, but confirmed 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 5 Hundred Thousand Square Metres Land. Under such circumstances, the Supreme People's Court of China 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 meters of the 5 Hundred Thousand Square Metres Land that had been actually developed and constructed in 2017. World Right has filed an appeal within the statutory time limit on the ground that the development of the 290,000 square meters land was illegal and the remaining land still met the conditions for performance of the agreement.

At the same time, to further protect its rights and interests, 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 on the 290,000 square metres land. The two cases are now under the procedure of first instance.

In addition, World Right and South China Property had instituted a series of administrative litigations against relevant government authorities in relation to various issues in the issuance of the land use right certificate, engineering planning certificate and real property title certificate. Of these litigations, six were related to the land use right certificate, and had been rejected by the court on the ground of exceeding the time limit for action. World Right and South China Property believed that the court was deliberately evading the substantive hearing by repeatedly rejecting their petitions for procedural issues such as qualification of subject and time limit, and thus had committed injustice and material misconduct. Therefore, they intended to appeal to the Supreme People's Court of China for retrial. Four of the litigations were related to the engineering planning certificate and had been rejected by the court for lack of interest, for which World Right and South China Property have filed an appeal within the statuary time limit. Three of the litigations were related to the real property title certificate and are currently at the first instant.

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 5 Hundred Thousand Square Metres 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. Since the necessary construction permit for the said Real Estate Development has not been issued, it is highly probable that the total investment in the said Real Estate Development has not met the said requirement. 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 2018 (2017: nil).

CORPORATE GOVERNANCE CODE

The Company had complied with all the 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 2018 except that Mr. Ng Hung Sang, the Chairman and an Executive Director, Ms. Cheung Choi Ngor, an Executive Director, Mr. Ng Yuk Fung Peter and Mr. David Michael Norman, both are Non-Executive Directors, were unable to attend the annual general meeting of the Company held on 14 June 2018, 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 2018.

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 Committee), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. and a Non-executive Director, Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2018 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 2018 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.

Publication of Annual Results and 2018 Annual Report

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.scholding.com). The annual report for the year ended 31 December 2018 will be dispatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company 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, 26 March 2019

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; (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.