



# SOUTH CHINA HOLDINGS COMPANY LIMITED

## 南華集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00413)

### INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the “Board”) of South China Holdings Company Limited (the “Company”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016. The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2016	2015
		Unaudited	Unaudited and
			Restated
	Note	HK\$'000	HK\$'000
<b>Revenue</b>	2	<b>1,212,588</b>	1,243,852
Cost of sales		<b>(973,317)</b>	(1,038,693)
Gross profit		<b>239,271</b>	205,159
Other income and gains, net		<b>27,381</b>	22,748
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		<b>96,224</b>	227,013
Fair value gain on financial assets at fair value through profit or loss		<b>9,861</b>	34,455
Fair value loss on foreign exchange forward contracts		<b>(55)</b>	(500)
Selling and distribution expenses		<b>(25,754)</b>	(28,256)
Administrative expenses		<b>(239,246)</b>	(228,754)
Equity-settled share award expense		<b>(5,502)</b>	(2,444)
<b>Profit from operations</b>	2&3	<b>102,180</b>	229,421
Finance costs		<b>(58,992)</b>	(62,272)
Share of profits and losses of associates		<b>372</b>	18,292
Impairment of advances to an associate		<b>-</b>	(1)

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

		<b>Six months ended 30 June</b>	
		<b>2016</b>	2015
		<b>Unaudited</b>	Unaudited and Restated
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Profit before tax</b>		<b>43,560</b>	185,440
Income tax	4	<b>(17,991)</b>	(29,747)
<b>Profit for the period</b>		<b><u>25,569</u></b>	<u>155,693</u>
Attributable to:			
Equity shareholders of the Company		<b>25,448</b>	152,741
Non-controlling interests		<b>121</b>	2,952
		<b><u>25,569</u></b>	<u>155,693</u>
<b>Earnings per share</b>	6		
<b>Basic</b>		<b><u>HK0.4 cents</u></b>	<u>HK2.6 cents</u>
<b>Diluted</b>		<b><u>HK0.2 cents</u></b>	<u>HK1.6 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Six months ended 30 June**

<b>2016</b>	2015
<b>Unaudited</b>	Unaudited and
	Restated
<b>HK\$'000</b>	HK\$'000

<b>Profit for the period</b>	<b>25,569</b>	155,693
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Available-for-sale financial assets:		
Changes in fair value	<u>(919)</u>	–
	(919)	–
Exchange differences on translation of operations outside Hong Kong	<b>(104,006)</b>	(6,285)
Share of other comprehensive income of associates	<u>(241)</u>	<u>(21)</u>
<b>Other comprehensive income for the period</b>	<u><b>(105,166)</b></u>	<u>(6,306)</u>
<b>Total comprehensive income for the period</b>	<u><b>(79,597)</b></u>	<u>149,387</u>
Attributable to:		
Equity shareholders of the Company	<b>(69,023)</b>	147,309
Non-controlling interests	<u><b>(10,574)</b></u>	<u>2,078</u>
	<u><b>(79,597)</b></u>	<u>149,387</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2016 Unaudited HK\$'000	As at 31 December 2015 Audited HK\$'000
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		199,401	198,941
Investment properties		6,567,202	6,598,018
Prepaid land lease payments		86,429	85,814
Construction in progress		128,901	127,907
Investments in associates		16,116	15,985
Bearer plants		86,364	89,981
Available-for-sale financial assets		73,105	74,018
Prepayments and deposits		18,897	18,623
Goodwill		3,060	3,041
Other non-current assets		15,638	15,638
		<hr/>	<hr/>
Total non-current assets		7,195,113	7,227,966
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		552,647	341,995
Properties under development		1,043,164	1,044,074
Trade receivables	7	428,742	380,506
Prepayments, deposits and other receivables		835,322	802,163
Financial assets at fair value through profit or loss		60,350	50,476
Amounts due from non-controlling shareholders of subsidiaries		54,663	56,650
Amounts due from affiliates		75,500	104,277
Tax recoverable		48,613	41,690
Cash and bank balances		315,289	486,422
		<hr/>	<hr/>
		3,414,290	3,308,253
Non-current assets classified as held for sale		930,000	904,000
		<hr/>	<hr/>
Total current assets		4,344,290	4,212,253
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	8	528,373	346,840
Other payables and accruals		546,605	594,004
Interest-bearing bank borrowings		2,277,260	1,959,204
Foreign exchange forward contracts		–	55,714
Amounts due to non-controlling shareholders of subsidiaries		1,661	932
Tax payable		49,851	51,744
		<hr/>	<hr/>
Total current liabilities		3,403,750	3,008,438
		<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		As at 30 June 2016 Unaudited HK\$'000	As at 31 December 2015 Audited HK\$'000
	<i>Note</i>		
<b>NET CURRENT ASSETS</b>		<b>940,540</b>	1,203,815
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>8,135,653</b>	8,431,781
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		<b>1,561,723</b>	1,740,880
Advances from non-controlling shareholders of subsidiaries		<b>7,941</b>	7,941
Other non-current liabilities		<b>72,523</b>	74,458
Deferred tax liabilities		<b>827,523</b>	832,001
Total non-current liabilities		<b>2,469,710</b>	2,655,280
<b>NET ASSETS</b>		<b>5,665,943</b>	5,776,501
<b>CAPITAL AND RESERVES</b>			
Share capital	9	<b>113,201</b>	114,488
Reserves		<b>5,206,049</b>	5,304,746
Total equity attributable to equity shareholders of the Company		<b>5,319,250</b>	5,419,234
Non-controlling interests		<b>346,693</b>	357,267
<b>TOTAL EQUITY</b>		<b>5,665,943</b>	5,776,501

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital and share premium Unaudited HK\$'000	Shares held for share award scheme Unaudited HK\$'000	Other reserves Unaudited HK\$'000	Retained profits Unaudited HK\$'000	Equity attributable to owners of the Company Unaudited HK\$'000	Non- controlling interests Unaudited HK\$'000	Total equity Unaudited HK\$'000
At 1 January 2016	1,914,121	(22,500)	(759,951)	4,287,564	5,419,234	357,267	5,776,501
Redemption of redeemable convertible preference shares	(36,685)	-	-	-	(36,685)	-	(36,685)
Transfer of employee share-based compensation reserve upon forfeiture of share award and share option	-	-	(238)	238	-	-	-
Recognition of equity-settled share-based compensation: share award	-	-	5,724	-	5,724	-	5,724
Total comprehensive income for the period	-	-	(94,471)	25,448	(69,023)	(10,574)	(79,597)
At 30 June 2016	<u>1,877,436</u>	<u>(22,500)</u>	<u>(848,936)</u>	<u>4,313,250</u>	<u>5,319,250</u>	<u>346,693</u>	<u>5,665,943</u>
At 1 January 2015	1,137,674	(24,443)	(598,746)	4,129,539	4,644,024	380,430	5,024,454
Redemption of redeemable convertible preference shares	(57,251)	-	-	-	(57,251)	-	(57,251)
Transfer of employee share-based compensation reserve upon forfeiture of share award and share option	-	-	(128)	128	-	-	-
Recognition of equity-settled share-based compensation: share award	-	-	460	-	460	-	460
Total comprehensive income for the period (Restated)	-	-	(5,432)	152,741	147,309	2,078	149,387
At 30 June 2015 (Restated)	<u>1,080,423</u>	<u>(24,443)</u>	<u>(603,846)</u>	<u>4,282,408</u>	<u>4,734,542</u>	<u>382,508</u>	<u>5,117,050</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

### Six months ended 30 June

2016	2015
Unaudited	Unaudited and Restated
HK\$'000	HK\$'000

#### Cash flows from operating activities

Cash used in operations	(142,627)	(241,647)
Hong Kong Profit Tax paid	(6,561)	(5,825)
The People's Republic of China ("PRC") enterprise income tax paid	(7,225)	(6,039)

<b>Net cash used in operating activities</b>	<b>(156,413)</b>	(253,511)
--	------------------	-----------

#### Cash flows from investing activities

Purchase of items of property, plant and equipment	(22,318)	(11,748)
Additions of prepaid land lease payments	(32,497)	(25,354)
Other cash flows arising from investing activities	146	8,627

<b>Net cash used in investing activities</b>	<b>(54,669)</b>	(28,475)
--	-----------------	----------

#### Cash flows from financing activities

New bank loans	782,083	1,256,431
Repayment of bank loans	(547,097)	(764,136)
Interest and other borrowing costs paid	(67,349)	(80,477)
Other cash flows arising from financing activities	(117,088)	(116,579)

<b>Net cash generated from financing activities</b>	<b>50,549</b>	295,239
---	---------------	---------

Net (decrease)/increase in cash and cash equivalents	(160,533)	13,253
Cash and cash equivalents at beginning of the period	439,910	259,095
Effect of foreign exchange rate changes, net	(1,591)	(154)

Cash and cash equivalents at end of the period	<b>277,786</b>	<b>272,194</b>
--	----------------	----------------

#### Analysis of balances of cash and cash equivalents

Cash and bank balances	315,289	331,706
Less:		
Restricted bank deposits	(26,825)	(33,300)
Bank overdrafts	(10,678)	(26,212)

Cash and cash equivalents as stated in the condensed consolidated cash flow statement	<b>277,786</b>	<b>272,194</b>
---	----------------	----------------

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except that the Group has adopted the new and revised Hong Kong Financial Reporting Standards, which are effective for the annual period beginning on 1 January 2016, as disclosed in the annual financial statements for the year ended 31 December 2015. The adoption of these new and revised Hong Kong Financial Reporting Standards does not have significant impact on the Group’s results of operations and financial position.

These interim financial statements should be read, where relevant, in conjunction with the 2015 annual financial statements of the Group.

#### 1.1 Changes in accounting policies

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, for the first time for the interim financial statements for the six months ended 30 June 2016. Such HKFRSs have become effective for the annual periods beginning on or after 1 January 2016, and include:

*Annual Improvements to HKFRSs 2012–2014 Cycle*

Amendments to HKFRS 10 and HKAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*

Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*

Amendments to HKAS 1, *Disclosure initiative*

Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*

The adoption of the above new and revised HKFRSs has had no significant impact on the accounting policies of the Group, the methods of computation used in the preparation of the Group’s interim financial statements and the Group’s results of operations and financial position.

#### 1.2 Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer Plants*

Under the Amendments to HKAS 16 and HKAS 41, bearer plants, being living plants which are used in the production or supply of agricultural produce, and which have a remote likelihood of being sold as agricultural produce (except for incremental scrap sales), are now in the scope of HKAS 16, *Property, plant and equipment* instead of HKAS 41, *Agriculture*. As a result of such Amendments, the Group changed its accounting policy in 2015 for bearer plants, which are now measured at cost less accumulated depreciation and impairment losses. The produce growing on bearer plants continue to be accounted for under HKAS 41 and are measured at fair value less costs to sell.



# 1. BASIS OF PREPARATION (Continued)

## 1.2 Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer Plants* (Continued)

### *Effect of the adoption of the Amendments to the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2015:*

	As previously reported HK\$'000	Effect of the adoption of the Amendments to HKAS 16 and HKAS 41 HK\$'000	As restated HK\$'000
Fair value loss on biological assets	(20,287)	20,287	–
Administrative expenses	(212,669)	(16,085)	(228,754)
Profit for the period	151,491	4,202	155,693
Profit attributable to equity shareholders of the Company	148,539	4,202	152,741
Other comprehensive income:			
Exchange differences on translation of operations outside Hong Kong	(6,309)	24	(6,285)
Total comprehensive income attributable to equity shareholders of the Company	143,083	4,226	147,309
Earnings per share – Basic	HK 2.5 cents	HK 0.1 cents	HK 2.6 cents

### *Effect of the adoption of the Amendments to the condensed consolidated cash flow statement for the period ended 30 June 2015:*

	As previously reported HK\$'000	Effect of the adoption of the Amendments to HKAS 16 and HKAS 41 HK\$'000	As restated HK\$'000
Net cash used in operating activities	(248,958)	(4,553)	(253,511)
Net cash used in investing activities	(33,028)	4,553	(28,475)

## 2. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's consolidated revenue and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2016 and 2015 is as follows:

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited and Restated	Unaudited	Unaudited	Unaudited	Unaudited and Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue</b>										
External sales	<u>1,112,072</u>	<u>1,148,352</u>	<u>92,364</u>	<u>88,599</u>	<u>8,152</u>	<u>6,901</u>	<u>-</u>	<u>-</u>	<u>1,212,588</u>	<u>1,243,852</u>
<b>Segment results</b>	<b>63,069</b>	<b>20,104</b>	<b>123,282</b>	<b>278,267</b>	<b>(29,977)</b>	<b>(34,780)</b>	<b>(54,194)</b>	<b>(34,170)</b>	<b>102,180</b>	<b>229,421</b>
Reconciliation:										
— Share of profits and losses of associates	372	292	-	18,000	-	-	-	-	372	18,292
— Impairment of advances to an associate	-	(1)	-	-	-	-	-	-	-	(1)
— Finance costs									(58,992)	(62,272)
<b>Profit before tax</b>									<u>43,560</u>	<u>185,440</u>

By geographical location#:

	Revenue		Contribution to profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited and Restated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC including Hong Kong and Macau	186,458	180,428	55,337	215,488
United States of America	585,646	602,420	24,188	2,274
Europe	193,764	210,230	10,155	4,781
Japan	15,506	8,914	841	309
Others	231,214	241,860	11,659	6,569
	<u>1,212,588</u>	<u>1,243,852</u>	<u>102,180</u>	<u>229,421</u>

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

## 2. REVENUE AND SEGMENTAL INFORMATION (Continued)

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

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000	30 June 2016 Unaudited HK\$'000	31 December 2015 Audited HK\$'000
<b>Segment assets</b>	<b>1,600,525</b>	1,534,850	<b>9,476,528</b>	9,471,985	<b>200,084</b>	189,000	<b>197,537</b>	186,709	<b>11,474,674</b>	11,382,544
Investments in associates	<b>12,233</b>	12,102	<b>3,883</b>	3,883	-	-	-	-	<b>16,116</b>	15,985
Tax recoverable									<b>48,613</b>	41,690
Total assets									<b>11,539,403</b>	11,440,219
<b>Segment liabilities</b>	<b>2,556,519</b>	2,232,099	<b>2,401,342</b>	2,494,181	<b>32,107</b>	20,199	<b>6,118</b>	33,494	<b>4,996,086</b>	4,779,973
Tax payable									<b>49,851</b>	51,744
Deferred tax liabilities									<b>827,523</b>	832,001
Total liabilities									<b>5,873,460</b>	5,663,718

## 3. 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 six months ended 30 June 2016 amounted to approximately HK\$24,207,000 (six months ended 30 June 2015 (restated): HK\$24,338,000) and HK\$23,019,000 (six months ended 30 June 2015 (restated): HK\$24,169,000), respectively.

## 4. INCOME TAX

Income tax comprises current and deferred tax.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

Deferred tax is provided, 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.

## 5. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$25,448,000 (six months ended 30 June 2015 (restated): approximately HK\$152,741,000) and the weighted average numbers of ordinary shares used in the calculation are as follows:

	<b>2016</b> <b>Unaudited</b> <b>HK\$'000</b>	2015 Unaudited and Restated HK\$'000
<u>Earnings</u>		
Profit attributable to equity shareholders of the Company used in basic and diluted earnings per share calculation	<u><b>25,448</b></u>	<u>152,741</u>
<u>Shares</u>	<b>2016</b> <b>Unaudited</b> <b>'000</b>	2015 Unaudited '000
Weighted average number of ordinary shares in issue less shares held for share award scheme during the period used in the basic earnings per share calculation	<b>5,904,074</b>	5,897,754
Effect of redeemable convertible preference shares	<b>5,338,929</b>	3,420,702
Effect of shares held for the share award scheme	<u><b>73,200</b></u>	<u>79,520</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u><b>11,316,203</b></u>	<u>9,397,976</u>

The Company's share options have no dilution effect for the six months ended 30 June in both 2016 and 2015 as the exercise price of the Company's share option was higher than the average market price of the shares in both periods.

## 7. TRADE RECEIVABLES

Trade receivables of approximately HK\$428,742,000 as at 30 June 2016 (as at 31 December 2015: HK\$380,506,000), substantially with an age within six months, are stated net of provision for impairment.

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

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

## 8. TRADE PAYABLES

Trade payables of approximately HK\$528,373,000 as at 30 June 2016 (as at 31 December 2015: HK\$346,840,000) are substantially with an age within six months.

## 9. SHARE CAPITAL

	<b>30 June 2016 Unaudited HK\$'000</b>	31 December 2015 Audited HK\$'000
Authorised:		
12,000,000,000 ordinary shares of HK\$0.01 each	<b>120,000</b>	120,000
3,000,000,000 redeemable convertible preference shares of HK\$0.02 each	<b>60,000</b>	60,000
Total authorised capital	<b><u>180,000</u></b>	<u>180,000</u>
Issued and fully paid:		
5,977,273,726 ordinary shares of HK\$0.01 each	<b>59,773</b>	59,773
2,671,442,127 redeemable convertible preference shares (as at 31 December 2015: 2,735,802,127 shares) of HK\$0.02 each	<b>53,428</b>	54,715
Total issued and fully paid capital	<b><u>113,201</u></b>	<u>114,488</u>

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 of directors of the Company, 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 meeting of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

As published in the joint announcement of the Company and South China Assets Holdings Limited ("SCAH") dated 29 July 2016 (the "Joint Announcement"), the Board of SCAH resolved to declare a special dividend by distribution of the Distribution CPS currently held by Crystal Hub, a wholly-owned subsidiary of SCAH, to the Qualifying Shareholders in species. Such distribution is subject to certain conditions as disclosed in the Joint Announcement. Unless otherwise defined herein, the capitalized terms used shall have the same meanings as those defined in the Joint Announcement.

## 9. SHARE CAPITAL (Continued)

Movements of issued capital were as follows:

	Issued ordinary shares Unaudited HK\$'000	Issued redeemable convertible preference shares Unaudited HK\$'000	Share premium Unaudited HK\$'000	Total Unaudited HK\$'000
At 1 January 2016	59,773	54,715	1,799,633	1,914,121
64,360,000 redeemable convertible preference shares redeemed during the period	—	(1,287)	(35,398)	(36,685)
At 30 June 2016	<u>59,773</u>	<u>53,428</u>	<u>1,764,235</u>	<u>1,877,436</u>
At 1 January 2015	59,773	35,882	1,042,019	1,137,674
100,440,000 redeemable convertible preference shares redeemed during the period	—	(2,009)	(55,242)	(57,251)
At 30 June 2015	<u>59,773</u>	<u>33,873</u>	<u>986,777</u>	<u>1,080,423</u>

Movements of number of issued shares were as follow:

	No. of issued ordinary shares '000	No. of issued redeemable convertible preference shares '000
At 1 January 2016	5,977,274	2,735,802
Redeemed during the period	—	(64,360)
At 30 June 2016	<u>5,977,274</u>	<u>2,671,442</u>
At 1 January 2015	2,988,637	1,794,119
Redeemed during the period	—	(100,440)
At 30 June 2015	<u>2,988,637</u>	<u>1,693,679</u>

## 10. COMPARATIVE AMOUNTS

As explained in note 1.2, due to the adoption of the Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer Plants* in 2015, certain comparative amounts in 2015 condensed consolidated statement of profit or loss have been restated to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded revenue of HK\$1.21 billion (2015: HK\$1.24 billion) and profit after tax of HK\$25.6 million (2015 (restated): HK\$155.7 million), both being the financial key performance indicators, for the six months ended 30 June 2016, representing a 2.5% decrease and a 83.6% decrease from the corresponding amounts represented in 2015. Earnings per share attributable to equity holders of the Company for the period was HK0.4 cents (2015 (restated): HK2.6 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 slight decrease in revenue to HK\$1.11 billion (2015: HK\$1.15 billion) but a 213.7% increase in operating profit to HK\$63.1 million (2015: HK\$20.1 million) for the period ended 30 June 2016.

##### **(i) OEM toys manufacturing**

Despite a tepid 2.7% increase in US retail sales in 2016, the US toy industry experienced a 7% growth in the first half of 2016 compared to last year's mid-year annual growth, with the category of "Action Figures and Dolls" showing the greatest percentage increase as compared to the corresponding period in last year. Although "Action Figures and Dolls" are not in our major sales categories, the OEM toys operations achieved a revenue of HK\$1,003.3 million, a 6.7% increase in revenue. The growth in revenue was mainly attributable to the increase in sales from existing customers and continuous improvement of production flow management. Two of our customers' products received "Top Summer Toys of the Year 2016" recognition in different categories from the Toys Insider website.

Despite the massive production volume, the Group managed to provide high quality on time delivery of products to our customers throughout the period and this is mainly attributable to the professionalism of our R&D and engineering department in providing continuous modifications and technological solutions.

Management foresees an increasing gap between the future demand and current capacity, therefore we are currently optimizing our current production capability and capacity with rapidly expanding new productions in more factory locations. Furthermore, the Company committed to focus on the upgrading of manufacturing machines and equipment for the purpose of automation and energy saving for capturing future growth in business.

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

During the period ended 30 June 2016, revenue from the footwear trading operations decreased by 51.3% to HK\$86.2 million. The decrease in revenue was mainly attributable to decrease in sales volume from customers. Overall profit from operations decreased to HK\$3.23 million as compared to that of 2015.

## Property Investment and Development

During the period ended 30 June 2016, the revenue of the property investment and development segment increased by 4.2% to HK\$92.4 million. The operating profit however decreased by 55.7% to HK\$123.2 million in the current period and was mainly attributable to the combined effect of (a) the increase in rental income by HK\$3.8 million, (b) offset by an increase in operating expense by HK\$7.3 million from the acquisition of the Dadong and Wuqing project in late 2015, and (c) a decrease in fair value gain on investment properties by HK\$131.0 million.

The increase in rental income in the current period was mainly attributable to rental contribution from the Avenue of Stars, the shopping mall in Shenyang after the completion of major renovation work last year. The property has successfully become a fur themed shopping mall with most major fur brands having opened flagship duplex stores. It is envisioned that with further promotion and marketing that the Avenue of Stars may become the fur mall of Northern China. Our rental portfolios in Tianjin also reported an increase in rental income. The growth came primarily from the commercialisation of our Tianjin industrial property. Income derived from our Nanjing portfolio remained stable during the period.

In addition to our existing rental portfolios in Nanjing, Shenyang and Tianjin, we extended upstream into our first foray of property development on the mainland. By virtue of an acquisition procedure that started in 2014, and its subsequent completion in October 2015, we have had the privilege to take part in the management of a large scale project in Shenyang that has already been in development for the past few years. The project, located on the very eastern part of the most robust pedestrian street of the Northeast known as Zhongjie (中街) of Dadong district, is named as the Central Square. The project involves a total GFA of over 500,000 square metres and is a mixed use development project. 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, is now in its development stage and pre-sale is planned to be launched by end of 2016.

## Agriculture and Forestry

As stated in note 1.2 to the Group's financial information, during the year ended 31 December 2015, the Group early adopted the Amendments to HKAS 16 and HKAS 41 where bearer plants, being living plants which are used in the production or supply of agricultural produce, and which have a remote likelihood of being sold as agricultural produce (except for incremental scrap sales), are now in the scope of HKAS 16 *Property, plant and equipment* instead of HKAS 41 *Agriculture*. As a result, the Group has changed the accounting policy for bearer plants, which are now measured at cost less accumulated depreciation and impairment losses. The produce growing on bearer plants continue to be accounted for under HKAS 41 and are measured at fair value less costs to sell.

The financial effect on the early adoption of the above amendments to the accounting standards resulted in an increase in profit by HK\$4.2 million for the period ended 30 June 2015.

Revenue from the agriculture and forestry segment increased by 18.1% to HK\$8.2 million in 2016 as compared with the corresponding period in 2015. Operating loss decreased by HK\$4.8 million from HK\$34.8 million as restated in 2015 to HK\$30.0 million in 2016, which was mainly due to improvement of our livestock business and cost saving measures.

The bearer plants balance decreased by 4.0% from HK\$90.0 million in 2015 to HK\$86.4 million in 2016. In terms of Renminbi, the functional currency of the relevant subsidiaries, the bearer plants balance decreased by about 1.9%. The decrease in bearer plants balance was primarily due to HK\$2.3 million depreciation provided during the period.



## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2016, the Group had a current ratio of 1.3 and a gearing ratio of 27.6% (31 December 2015: 1.4 and 30.1%, respectively). The gearing ratio is computed by comparing the Group's long-term bank borrowings of HK\$1.6 billion to the Group's equity of HK\$5.7 billion. The Group's operations and investments continued to be financed by internal resources and bank borrowings.

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

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to 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 does not have any non-delivery foreign exchange forward contracts at the end of the reporting period. The Group manages foreign currency risk by closely monitoring the movements of the foreign currency rates.

## **CAPITAL STRUCTURE**

Except for the redemption of the redeemable convertible preference shares as detailed in note 9 to the interim report, there was no material change in the Group's capital structure as compared to the 2015 annual report.

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

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

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

There was no material change in the Group's pledge of assets and contingent liabilities as compared to the most recently published annual report.

## **EMPLOYEES**

As at 30 June 2016, the total number of employees of the Group was approximately 25,000 (30 June 2015: 24,200).

Employees' costs (including directors' emoluments) amounted to approximately HK\$518.8 million for the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$553.0 million).

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

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

## **PROSPECTS**

### **Trading and Manufacturing**

In view of the gradual economic recovery in the United States and the strengthening of the consumer market, management holds a positive view for the industry. The toy industry is expected to once again record a positive growth on the back of increasing sales from high-tech toys which we believe will be the key driver to the toy industry in the coming years.

The Group has traditionally invested heavily in the R&D and engineering department and will increase its capital investment into developing new technology and manufacturing advances to meet the increasingly complicated requirements of the high-tech toys from our clients. Management will seek to setup research departments and collaborations with various academic institutions with China to further increase its competitiveness and expertise in this field.

The Group is looking to increase its production capacity in various locations in order to fulfill market demand over toys market growth. New plants are under establishment in the first half year of 2016 and is expected to kick start production in the second half of 2016.

### **Property Investment and Development**

The completion of the acquisition of our property development arm last year was a healthy consolidation as well as a cost efficient streamlining of our PRC property portfolios. Not only does it bring relevant property development management expertise to our existing land banks in the prime locations of Nanjing and Tianjin, but it also gives us the opportunity to retain high value retail assets from our future property development endeavours.

The construction work of the first phase of the Central Square in the Southern part of our Dadong site in Shenyang is underway, and pre-sale is expected to be launched by end of 2016. With its prime location situated in the Zhongjie pedestrian commercial zone, a prime shopping area in Shenyang with a mix of trendy boutiques, department stores, shopping malls and hotels, management is cautiously optimistic on the short term contributions from the project in light of recent relaxation of residential policies in the second tier cities of China and the various supporting tax and deduction of government fee policies.

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 still in the planning stage. 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 land bank in the Tianjin Wuqing district which was acquired last year provides us with a potential site area of over 200,000 square metres, with approximately 88,000 square metres have paid the land premium and the project is currently under the planning stage. In light of the recent 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) recently 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.

Nanjing and Tianjin industrial land use conversion to commercial will continue to be our area of focus. The addition of the new property development team and track record will be a major contribution for us to fully benefit from successful future conversions.

## **Property Investments**

The Group has a property investment portfolio with total floor area of approximately 560,000 square metres in Mainland China and 298,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

With the management team effort, the occupancy rates of the Avenue of Stars have improved and management team will continue to increase the pedestrian flow so as to further increase its rental contribution in the future.

Nanjing rental portfolio is expected to remain stable, and further upside in Tianjin portfolio is expected as we implement our commercialization strategy across our portfolio in the near future.

Meanwhile, the Group will actively consider offloading non-core investment properties in Hong Kong and the PRC in order to reallocate resources to more promising investment properties or land banks.

## **Agriculture and Forestry**

The Group currently has long-term leases of over 540,000 mu 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, 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 resources utilisation with a view to containing costs.

## **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 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 the Mainland China may also be exposed to the risks of policy 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.

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

### **Long positions in ordinary shares of the Company**

<b>Beneficial Interests</b>	<b>Ordinary shares</b>			<b>Total number of ordinary shares held</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
	<b>Personal Interests (Note 1)</b>	<b>Family interests</b>	<b>Corporate Interests</b>		
Ng Hung Sang ("Mr. Ng")	371,413,834	107,000,000 (Note 2)	3,159,912,992 (Note 3)	3,638,326,826	60.87%
Cheung Choi Ngor ("Ms. Cheung")	40,000,000	–	–	40,000,000	0.67%
Ng Yuk Fung Peter ("Mr. Peter Ng")	326,688,000	–	–	326,688,000	5.47%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	136,560,000	–	–	136,560,000	2.28%
Law Albert Yu Kwan ("Mr. Law")	5,040,000 (Note 4)	–	–	5,040,000	0.08%
Ng Yuk Mui Jessica	136,560,000	–	–	136,560,000	2.28%

### Long positions in underlying shares of the Company

The Company has granted options to certain Directors under the Company's share option schemes, details of which are set out in the section "Share Option Schemes" below.

### Long positions in ordinary shares of associated corporation

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

#### Notes:

- (1) The shares are registered under the names of the directors who are the beneficial shareholders.
- (2) The spouse of Mr. Ng is the beneficial shareholder.
- (3) The 3,159,912,992 shares of the Company held by Mr. Ng through controlled corporations included 979,732,836 shares held by Fung Shing Group Limited ("Fung Shing"), 931,867,420 shares held by Parkfield Holdings Limited ("Parkfield"), 620,038,762 shares held by Eartrade Investments Limited ("Eartrade"), 587,031,298 shares held by Bannock Investment Limited ("Bannock"), 41,226,676 shares held by Ronastar Investments Limited ("Ronastar") and 16,000 shares held by South China Finance And Management Limited ("SCFM"). Fung Shing, Parkfield and Ronastar were all wholly owned by Mr. Ng. Bannock was a wholly-owned subsidiary of Eartrade which was owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. South China Financial Holdings Limited was owned as to 26.94% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the said 16,000 shares held by SCFM and the 1,207,070,060 shares held by Bannock and Eartrade.
- (4) The 5,040,000 shares of the Company held by Mr. Law were the shares awarded to him under the employee's share award scheme of the Company ("Share Award Scheme"). Mr. Law was awarded 432,000 shares, 432,000 shares, 1,040,000 shares and 3,136,000 shares (adjusted under the share subdivision of the Company on 24 July 2015) of the Company on 13 April 2011, 19 July 2011, 30 March 2012 and 28 March 2013, respectively, and such awarded shares were vested on 31 December 2012, 30 June 2013, 31 December 2014 and 31 December 2015, respectively.
- (5) Prime Prospects is a 70% owned subsidiary of the Company.

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age had interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code, at 30 June 2016.

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

The Company has been notified of the following interests in its issued shares at 30 June 2016 amounting to 5% or more of the ordinary shares in issue:

<b>Beneficial Interests</b>	<b>Registered shareholders</b>	<b>Family interests</b>	<b>Corporate interests</b>	<b>Ordinary shares</b>	
				<b>Total number of ordinary shares held</b>	<b>Approximate percentage of shareholding to total issued ordinary shares</b>
Earntrade	620,038,762	–	587,031,298 (Note 1)	1,207,070,060	20.19%
Bannock	587,031,298 (Note 1)	–	–	587,031,298	9.82%
Parkfield	931,867,420	–	–	931,867,420	15.59%
Fung Shing	979,732,836	–	–	979,732,836	16.39%
Ng Lai King Pamela ("Ms. Ng")	107,000,000	3,531,326,826 (Note 2)	–	3,638,326,826	60.87%

### *Notes:*

- (1) Bannock is a wholly-owned subsidiary of Earntrade. The 1,207,070,060 shares of the Company held by Earntrade included 587,031,298 shares held by Bannock directly.
- (2) Ms. Ng, who held 107,000,000 shares of the Company directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to be interested in the 371,413,834 shares and 3,159,912,992 shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the foregoing, as at 30 June 2016, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## SHARE OPTION SCHEMES

The Company adopted a share option scheme in May 2002 (“2002 Share Option Scheme”), which was terminated in June 2012, and a share option scheme in June 2012 (“2012 Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group’s operations, and retaining such participants for their continuing support to the Group. The share options granted under the above schemes are unlisted.

### (i) 2002 Share Option Scheme

Particulars and movements of the outstanding share options granted under the 2002 Share Option Scheme during the six months ended 30 June 2016 as follows:

Name and category of participant	Number of share options			Outstanding as at 30 June 2016	Date of grant of share options (DD/MM/YYYY) (Note 2)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary shares issuable upon the exercise of share options	Subscription Price per share HK\$ (Note 3)
	Outstanding as at 1 January 2016	Granted/ Lapsed during the period	Re-classified (Note 1)					
<b>Directors</b>								
Ms. Cheung	8,666,666	–	–	8,666,666	18/09/2007	18/09/2008–17/09/2017	17,333,332	0.75
	8,666,667	–	–	8,666,667	18/09/2007	18/09/2009–17/09/2017	17,333,334	0.75
	8,666,667	–	–	8,666,667	18/09/2007	18/09/2010–17/09/2017	17,333,334	0.75
Mr. Peter Ng	8,666,666	–	–	8,666,666	18/09/2007	18/09/2008–17/09/2017	17,333,332	0.75
	8,666,667	–	–	8,666,667	18/09/2007	18/09/2009–17/09/2017	17,333,334	0.75
	8,666,667	–	–	8,666,667	18/09/2007	18/09/2010–17/09/2017	17,333,334	0.75
Mr. Paul Ng	–	–	8,666,666	8,666,666	18/09/2007	18/09/2008–17/09/2017	17,333,332	0.75
	–	–	8,666,667	8,666,667	18/09/2007	18/09/2009–17/09/2017	17,333,334	0.75
	–	–	8,666,667	8,666,667	18/09/2007	18/09/2010–17/09/2017	17,333,334	0.75
Sub-total	52,000,000	–	26,000,000	78,000,000			156,000,000	
<b>Other employees</b>								
In aggregate	1,333,333	–	–	1,333,333	18/09/2007	18/09/2008–17/09/2017	2,666,666	0.75
	1,333,333	–	–	1,333,333	18/09/2007	18/09/2009–17/09/2017	2,666,666	0.75
	1,333,334	–	–	1,333,334	18/09/2007	18/09/2010–17/09/2017	2,666,668	0.75
	1,566,666	–	–	1,566,666	25/09/2007	25/09/2008–24/09/2017	3,133,332	0.75
	1,566,666	–	–	1,566,666	25/09/2007	25/09/2009–24/09/2017	3,133,332	0.75
	1,566,668	–	–	1,566,668	25/09/2007	25/09/2010–24/09/2017	3,133,336	0.75
Sub-total	8,700,000	–	–	8,700,000			17,400,000	
<b>Others</b>								
In aggregate	9,866,665	–	(8,666,666)	1,199,999	18/09/2007	18/09/2008–17/09/2017	2,399,998	0.75
	9,866,666	–	(8,666,667)	1,199,999	18/09/2007	18/09/2009–17/09/2017	2,399,998	0.75
	9,866,669	–	(8,666,667)	1,200,002	18/09/2007	18/09/2010–17/09/2017	2,400,004	0.75
	100,000	–	–	100,000	25/09/2007	25/09/2008–24/09/2017	200,000	0.75
	100,000	–	–	100,000	25/09/2007	25/09/2009–24/09/2017	200,000	0.75
	100,000	–	–	100,000	25/09/2007	25/09/2010–24/09/2017	200,000	0.75
Sub-total	29,900,000	–	(26,000,000)	3,900,000			7,800,000	
<b>Total</b>	<u>90,600,000</u>	<u>–</u>	<u>–</u>	<u>90,600,000</u>			<u>181,200,000</u>	



Notes:

(1) Since Mr. Paul Ng has been appointed as an Executive Director on 1 January 2016, one participant under “Others” holding options under the 2002 Share Option Scheme has been re-classified. Consequently, 26,000,000 share options were re-classified from “Others” to “Directors”.

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

From the date of grant of share options	Exercisable percentage %
Within 12 months	Nil
13th month–24th month	not more than 33 <sup>1</sup> / <sub>3</sub>
25th month–36th month	not more than 66 <sup>2</sup> / <sub>3</sub>
37th month–120th month	100

(3) The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

## (ii) 2012 Share Option Scheme

Particulars and movements of the outstanding share options granted under the 2012 Share Option Scheme during the six months ended 30 June 2016 as follows:

Name and category of participant	Number of share options			Date of grant of share options (DD/MM/YYYY) (Note 1)	Exercise period of share options (DD/MM/YYYY)	Number of ordinary shares issuable upon the exercise of share options	Subscription Price per share HK\$ (Note 2)
	Outstanding as at 1 January 2016	Granted/ Lapsed during the period	Outstanding as at 30 June 2016				
<b>Employees</b>							
In aggregate	11,666,664	–	11,666,664	10/07/2015	10/07/2016–09/07/2025	23,333,328	0.65
	11,666,666	–	11,666,666	10/07/2015	10/07/2017–09/07/2025	23,333,332	0.65
	11,666,670	–	11,666,670	10/07/2015	10/07/2018–09/07/2025	23,333,340	0.65
	8,965,000	–	8,965,000	20/10/2015	20/10/2017–19/10/2025	8,965,000	0.65
	8,965,000	–	8,965,000	20/10/2015	20/10/2018–19/10/2025	8,965,000	0.65
	11,956,368	–	11,956,368	20/10/2015	20/10/2019–19/10/2025	11,956,368	0.65
Sub-total	64,886,368	–	64,886,368			99,886,368	
<b>Others</b>							
In aggregate	1,000,000	(500,000)	500,000	10/07/2015	10/07/2016–09/07/2025	1,000,000	0.65
	1,000,000	(500,000)	500,000	10/07/2015	10/07/2017–09/07/2025	1,000,000	0.65
	1,000,000	(500,000)	500,000	10/07/2015	10/07/2018–09/07/2025	1,000,000	0.65
Sub-total	3,000,000	(1,500,000)	1,500,000			3,000,000	
<b>Total</b>	<u>67,886,368</u>	<u>(1,500,000)</u>	<u>66,386,368</u>			<u>102,886,368</u>	

Notes:

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

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b> %
Within 12 months	Nil
13th month–24th month	not more than $33\frac{1}{3}$
25th month–36th month	not more than $66\frac{2}{3}$
37th month–120th month	100

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

Equity-settled share option expense of HK\$5,723,000 was recognised by the Company during the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

#### **EMPLOYEES' SHARE AWARD SCHEME**

On 18 March 2011, the Company adopted the Share Award Scheme whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to and not exceeding HK\$60 million for the purchase of shares in the Company and/or SCAH from the market. Such shares shall form part of the capital of the trust set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company's resources for the purpose of purchase of shares as referred to in the above.

#### **CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2016 except that Mr. Ng, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 7 June 2016 as he had other business engagements, which deviated from code provision E.1.2.

Ms. Chan Sau Mui Juanna resigned as the company secretary of the Company with effect from 8 January 2016. Since then, the Company no longer complied with the requirement under Rule 3.28 of the Listing Rules and, hence, the relevant code provisions in respect of company secretary. The Company is in the process of identifying a suitable candidate to fill the vacancy in the office of company secretary.

## **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 listed shares of the Company during the six months ended 30 June 2016.

## **CHANGES IN INFORMATION IN RESPECT OF DIRECTORS**

In accordance with Rule 13.51B(1), the changes in information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest annual report up to the date of this interim report are set out below:

Sr Dr. Leung Tony Ka Tung has been appointed as an independent non-executive director of Wang On Properties Limited 宏安地產有限公司 with effect from 17 March 2016.

Mr. Ng has ceased to have a monthly salary and remained entitled to the same director's fees at HK\$10,000 per annum with effect from 31 March 2016.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by Directors throughout the six months ended 30 June 2016.

## 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 Ms. Li Yuen Yu Alice (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.

This interim report has been reviewed by the Company's Audit Committee.

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, 30 August 2016

*As at the date of this report, the Directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges, Mr. Ng Yuk Fung Peter, Mr. Ng Yuk Yeung Paul and Mr. Law Albert Yu Kwan as executive directors; (2) Ms. Ng Yuk Mui Jessica and Mr. David Michael Norman as non-executive directors; and (3) Mr. Chiu Sin Chun, Sr Dr. Leung Tony Ka Tung, Ms. Li Yuen Yu Alice, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. and as independent non-executive directors.*