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## **SOUTH CHINA HOLDINGS COMPANY LIMITED**

**南華集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00413)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025**

#### **UNAUDITED INTERIM RESULTS**

The board of directors (the “Board” or the “Directors”) of South China Holdings Company Limited (the “Company”) hereby announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2025 together with the relevant comparative figures as follows:

#### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

		<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	<b>2</b>	<b>891,682</b>	1,168,503
Cost of sales		<b>(829,072)</b>	(1,016,427)
Gross profit		<b>62,610</b>	152,076
Other income and gains, net	<b>3</b>	<b>95,361</b>	64,455
Net fair value gain/(loss) on investment properties		<b>72,843</b>	(75)
Selling and distribution expenses		<b>(15,813)</b>	(18,708)
Administrative expenses		<b>(178,897)</b>	(152,906)
<b>Profit from operations</b>	<b>2 &amp; 4</b>	<b>36,104</b>	44,842

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)**

		<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Finance costs	5	<u>(101,750)</u>	<u>(124,374)</u>
<b>Loss before tax</b>		<b>(65,646)</b>	<b>(79,532)</b>
Income tax expenses	6	<u>(24,350)</u>	<u>(1,344)</u>
<b>Loss for the period</b>		<b><u>(89,996)</u></b>	<b><u>(80,876)</u></b>
Attributable to:			
Equity shareholders of the Company		<b>(91,769)</b>	<b>(79,142)</b>
Non-controlling interests		<b><u>1,773</u></b>	<b><u>(1,734)</u></b>
		<b><u>(89,996)</u></b>	<b><u>(80,876)</u></b>
<b>Loss per share</b>	8		
<b>Basic</b>		<b><u>HK(0.7) cents</u></b>	<b><u>HK(0.6) cents</u></b>
<b>Diluted</b>		<b><u>HK(0.7) cents</u></b>	<b><u>HK(0.6) cents</u></b>

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

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss for the period</b>	<b>(89,996)</b>	<b>(80,876)</b>
<b>Other comprehensive income (after tax and reclassification adjustments)</b>		
Item that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties	–	27,324
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside Hong Kong	<b>192,286</b>	<b>(162,083)</b>
Release of exchange reserve upon disposal of subsidiaries	<b>(28,003)</b>	–
	<b>164,283</b>	<b>(134,759)</b>
<b>Total comprehensive income for the period</b>	<b>74,287</b>	<b>(215,635)</b>
Attributable to:		
Equity shareholders of the Company	<b>58,781</b>	<b>(203,383)</b>
Non-controlling interests	<b>15,506</b>	<b>(12,252)</b>
	<b>74,287</b>	<b>(215,635)</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2025 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	As at 31 December 2024 (Audited) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	397,306	430,689
Investment properties	9,447,626	9,192,767
Construction in progress	149	145
Investments in a joint venture	–	285
Bearer plants	14,346	14,457
Other non-current assets	61,825	151,853
<b>Total non-current assets</b>	<b>9,921,252</b>	<b>9,790,196</b>
<b>CURRENT ASSETS</b>		
Inventories	836,130	720,711
Properties under development	244,836	237,229
Trade receivables	349,834	399,041
Prepayments, deposits and other receivables	1,234,039	1,138,155
Financial assets measured at fair value through profit or loss	7,069	6,643
Amount due from a non-controlling shareholder of a subsidiary	29,611	29,611
Amounts due from associates	5,145	5,145
Amounts due from related parties	12,706	16,964
Tax recoverable	743	759
Cash and bank balances	389,630	621,514
<b>Total current assets</b>	<b>3,109,743</b>	<b>3,175,772</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		As at 30 June 2025 (Unaudited) HK\$'000	As at 31 December 2024 (Audited) HK\$'000
	<i>Notes</i>		
<b>CURRENT LIABILITIES</b>			
Trade payables	10	613,824	699,173
Other payables and accruals		637,180	499,745
Interest-bearing bank borrowings		3,260,440	2,073,370
Lease liabilities		58,210	60,638
Amounts due to non-controlling shareholders of subsidiaries		928	10,199
Tax payable		64,448	71,091
<b>Total current liabilities</b>		<u>4,635,030</u>	<u>3,414,216</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,525,287)</u>	<u>(238,444)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>8,395,965</u>	<u>9,551,752</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings		274,072	1,597,999
Lease liabilities		221,290	265,344
Amounts due to non-controlling shareholders of subsidiaries		107	107
Amounts due to related parties		555,469	504,904
Other non-current liabilities		23,164	22,475
Deferred tax liabilities		1,100,506	1,043,461
<b>Total non-current liabilities</b>		<u>2,174,608</u>	<u>3,434,290</u>
<b>NET ASSETS</b>		<u>6,221,357</u>	<u>6,117,462</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	134,413	134,413
Reserves		5,763,105	5,693,128
<b>Total equity attributable to equity shareholders of the Company</b>		<u>5,897,518</u>	<u>5,827,541</u>
<b>Non-controlling interests</b>		<u>323,839</u>	<u>289,921</u>
<b>TOTAL EQUITY</b>		<u>6,221,357</u>	<u>6,117,462</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2025*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (“interim financial statements”) have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They were authorised for issue on 20 August 2025.

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2024 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2025 annual financial statements. Details of any changes in accounting policies are set out below.

These interim financial statements should be read, where relevant, in conjunction with the 2024 annual financial statements of the Group.

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

The Group has applied the following amendment to HKFRS Accounting Standards issued by the HKICPA to this unaudited interim financial information for the current accounting period:

*Amendments to HKAS 21, The effect of changes in foreign exchange rates: Lack of exchangeability*

The Group has assessed the impact of the adoption of the above amendment and considered that there was no material impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies.

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

## 2. REVENUE AND SEGMENTAL INFORMATION

An analysis of the Group's consolidated revenue and contribution to profit from operations by principal activity and geographical location for the six months ended 30 June 2025 and 2024 is as follows:

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Others		Group	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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>789,096</u>	<u>1,061,505</u>	<u>102,529</u>	<u>106,936</u>	<u>57</u>	<u>62</u>	<u>-</u>	<u>-</u>	<u>891,682</u>	<u>1,168,503</u>
<b>Segment results</b>	<u>(102,481)</u>	<u>31,767</u>	<u>110,210</u>	<u>41,354</u>	<u>(10,929)</u>	<u>(2,859)</u>	<u>39,304</u>	<u>(25,420)</u>	<u>36,104</u>	<u>44,842</u>
Reconciliation:										
— Finance costs									<u>(101,750)</u>	<u>(124,374)</u>
<b>Loss before tax</b>									<u>(65,646)</u>	<u>(79,532)</u>

By geographical location<sup>#</sup>:

	Revenue		Contribution to profit from operations	
	Six months ended 30 June		Six months ended 30 June	
	2025	2024	2025	2024
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China ("PRC") including Hong Kong and Macau	<b>137,322</b>	170,503	<b>137,381</b>	24,668
United States of America ("USA")	<b>391,105</b>	598,360	<b>(37,383)</b>	16,835
Europe	<b>220,844</b>	281,128	<b>(39,208)</b>	2,215
Japan	<b>11,457</b>	3,696	<b>(2,046)</b>	21
Others	<b>130,954</b>	114,816	<b>(22,640)</b>	1,103
	<u><b>891,682</b></u>	<u>1,168,503</u>	<u><b>36,104</b></u>	<u>44,842</u>

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

## 3. OTHER INCOME AND GAINS, NET

During the six months ended 30 June 2025, a gain on disposal of subsidiaries of approximately HK\$67,561,000 had been recognised (six months ended 30 June 2024: Nil).

#### 4. PROFIT FROM OPERATIONS

Profit from operations is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost of inventories sold	<b>783,553</b>	959,982
Cost of completed properties sold	<b>13,747</b>	15,899
	<b>797,300</b>	975,881
Depreciation:		
— owned property, plant and equipment	<b>15,191</b>	16,230
— bearer plants	<b>554</b>	626
— right-of-use assets	<b>34,658</b>	33,392
	<b>50,403</b>	50,248

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on bank and other borrowings	<b>91,661</b>	113,479
Interest on lease liabilities	<b>10,089</b>	10,895
	<b>101,750</b>	124,374

#### 6. INCOME TAX

Income tax comprises current tax and deferred tax.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2024: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profits assessable elsewhere have been calculated on the estimated assessable profit at rates of taxation prevailing in the countries in which the Group operates.

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



## 7. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

## 8. LOSS PER SHARE

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

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

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

	<b>Six months ended 30 June</b>	
	<b>2025</b>	<b>2024</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Loss</b>		
Loss attributable to equity shareholders of the Company used in basic and diluted loss per share calculation	<u><b>(91,769)</b></u>	<u><b>(79,142)</b></u>
	<b>Number of shares</b>	
	<b>2025</b>	<b>2024</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>'000</b>	<b>'000</b>
<b>Shares</b>		
Weighted average number of ordinary shares in issue less shares held for share award scheme during the period used in the basic and diluted loss per share calculation	<u><b>12,982,892</b></u>	<u><b>12,982,892</b></u>

The Company's share options have no dilution effect for the six months ended 30 June 2025 and 2024 as the exercise prices of the Company's share options were higher than the average market price of the shares in both periods.

Diluted loss per share equals to basic loss per share for the six months ended 30 June 2025 and 2024 because the potential ordinary shares outstanding were anti-dilutive.

## 9. TRADE RECEIVABLES

Trade receivables of approximately HK\$349,834,000 as at 30 June 2025 (as at 31 December 2024: HK\$399,041,000), substantially aged within six months, are stated net of loss allowance.

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

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

## 10. TRADE PAYABLES

Trade payables of approximately HK\$613,824,000 as at 30 June 2025 (as at 31 December 2024: HK\$699,173,000) are substantially aged within six months.

## 11. SHARE CAPITAL

	As at 30 June 2025 (Unaudited) HK\$'000	As at 31 December 2024 (Audited) HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	200,000	200,000
3,000,000,000 redeemable convertible preference shares of HK\$0.02 each ( <i>Note</i> )	60,000	60,000
Total authorised capital	260,000	260,000
Issued and fully paid:		
13,221,302,172 (2024: 13,221,302,172) ordinary shares of HK\$0.01 each	132,213	132,213
109,975,631 (2024: 109,975,631) redeemable convertible preference shares of HK\$0.02 each	2,200	2,200
Total issued and fully paid capital	134,413	134,413

## 11. SHARE CAPITAL (Continued)

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

There was no movement in the number of issued ordinary shares and redeemable convertible preference shares of the Company during the six months ended 30 June 2025 and 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL SUMMARY AND KEY PERFORMANCE INDICATORS

The Group recorded a revenue of approximately HK\$891.7 million (2024: approximately HK\$1,168.5 million) for the six months ended 30 June 2025 (the “Period”), representing a 23.7% decrease as compared to the corresponding period in 2024. Loss after tax was approximately HK\$90.0 million for the Period (2024: approximately HK\$80.9 million). Loss per share attributable to equity shareholders of the Company for the Period was HK0.7 cents (2024: HK0.6 cents).

### BUSINESS REVIEW

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

#### Trading and Manufacturing

The trading and manufacturing segment mainly comprises (i) OEM production of toys products, (ii) trading of footwear products and (iii) sales of branded ball products. This segment recorded a 25.7% decrease in revenue to approximately HK\$789.1 million for the Period (2024: approximately HK\$1,061.5 million) and an operating loss of approximately HK\$102.5 million for the Period (2024: profit of approximately HK\$31.8 million).

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

The OEM toys segment generated revenue of approximately HK\$625.7 million for the Period (2024: approximately HK\$964.3 million), reflecting a 35.1% decrease year-on-year.

According to a report published by the Toy Association of the USA on 12 August 2025, total US toy imports in June 2025 fell by 31% compared to June 2024. The decline was driven largely by a 47% decline in imports from China. The downtrend began in April 2025. Tariffs have been creating serious headwinds for the toy industry and disrupting the flow of toys into the US market ahead of the crucial holiday season. Given the Period was marked by weak consumer market sentiment and sluggish economic growth, geopolitical tensions, persistent high interest rates and uncertain policies such as continuous US tariff adjustments, which disproportionately affected demands for non-necessity goods, including toys, the Group’s key US customers had adopted cautious ordering strategies. Consequently, the Group’s toy production capacity was underutilized.

With a strong infrastructure in manufacturing of toys, including operating plants in both Vietnam and Mainland China, the Group is one of the few manufacturers in the OEM toys production market capable of quick production and delivery of toy products to overseas customers, in particular, to the USA. The Group will continue to proactively maintain the long-term relationships with its key customers while seeking to pursue potential new customers, strive to control its costs by streamlining its supply chain and manpower, and align with evolving market demands and sourcing preferences through strategic allocation of production between Vietnam and Mainland China.

*(ii) Trading of footwear products*

During the Period, revenue from the footwear trading operation increased by 75.9% to approximately HK\$157.7 million (2024: approximately HK\$89.7 million). In order to outperform its competitors, the Group adopted aggressive pricing strategy by offering relatively low prices, coupled with bespoke customer advisory services, to both current and new customers for securing purchase orders despite lower gross profit margin of each order. As a result, the operating profit of this segment decreased by 19.9% to approximately HK\$5.9 million (2024: approximately HK\$7.3 million).

*(iii) Sales of branded ball products*

During the Period, revenue from sales of the branded ball products in the local market of Mainland China decreased by 26.8% to approximately HK\$4.2 million (2024: approximately HK\$5.8 million), mainly due to the drastic change in purchase behavior of educational institutions, the Group's main customers of ball products, from bulk purchase through tendering to purchasing on a need basis. Such change is likely due to the tightened budget allocated to the educational institutions by the local governments. To reduce the reliance on bulk purchases by educational institutions, the Group will use other distribution channels to widen its products exposure and sales network by leveraging the brand of "LeeSheng (利生)" which has a long-standing history of over 100 years in Mainland China.

**Property Investment and Development**

During the Period, revenue from the property investment and development segment decreased by 4.1% to approximately HK\$102.5 million (2024: approximately HK\$106.9 million). The operating profit of this segment for the Period was approximately HK\$110.2 million (including fair value changes on investment properties) (2024: approximately HK\$41.4 million) and approximately HK\$37.4 million (excluding the fair value changes on investment properties) (2024: approximately HK\$41.4 million).

As at 30 June 2025, the Group had a property investment portfolio with total gross floor area (“GFA”) of approximately 570,000 sq.m. in Mainland China and approximately 26,000 sq.m. (approximately 280,000 sq.ft.) in Hong Kong. The investment properties for lease in Mainland China are mostly in prime locations in Nanjing, Shenyang and Tianjin.

Currently, approximately 69% of the total saleable area of residential towers and serviced apartment of Central Square, the flagship property project of the Group, has been sold. Given Central Square is located in a prime residential area in Shenyang, the management of the Group is cautiously optimistic on its sales and rental contributions in 2025 and onwards since the central government of China has introduced various measures to stimulate the real estate market, including reducing down-payment rates, lowering the purchase threshold for non-local buyers and reducing existing mortgage rates etc., aiming at boosting market confidence, reviving a stable and healthy market from the nationwide collapse in market confidence resulting from Evergrande’s crisis and stimulating economic vitality. However, a full recovery of the real estate market will take time and sustained demand growth has yet to materialize.

The Group was able to stabilise its rental income from its property portfolios in both Mainland China and Hong Kong during the Period as compared to the corresponding period in 2024 by means of tenant mix optimization and facility renovations.

On the other hand, the Group has consistently reviewed its portfolio for maximization of its return by allocating resources to the core operations and eliminating non-performing ones. During the Period, there was a disposal of subsidiaries in Tianjin given the disposed subsidiaries had ceased their respective main businesses and not been in normal operations, but merely retained certain properties in Tianjin, which were not material assets to the Group’s property portfolio. The disposal would therefore allow the Group to deploy and allocate its resources (both time and manpower) to its profitable core business segments.

### **Agriculture and Forestry**

During the Period, revenue from the sales of agricultural products decreased to approximately HK\$57,000 (2024: approximately HK\$62,000), while other income from sub-leasing of agricultural and forest lands decreased to approximately HK\$6.6 million (2024: approximately HK\$8.7 million). There was an operating loss of approximately HK\$10.9 million for this segment during the Period (2024: operating loss was approximately HK\$2.9 million after taking into account an extraordinary one-off write-back of approximately HK\$4.4 million, i.e. operating loss for the corresponding period in 2024 without taking into account the one-off write-back was approximately HK\$7.3 million). The increase in operating loss during the Period was mainly due to drop in other income from the aforesaid sub-leasing resulting from the lapse of some tenancies upon expiration.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2025, the Group had a current ratio of 0.67 and a gearing ratio of 4.4% (31 December 2024: 0.93 and 26.1% respectively). The gearing ratio is computed by referring to the Group's long-term bank borrowings of HK\$274.1 million and the Group's equity of HK\$6,221.4 million. The Group's operations and investments continued to be financed by internal resources and bank borrowings. The Group closely monitors the liquidity risk and maintains a balance between continuity of funding and flexibility through the use of banking facilities.

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

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

## **CAPITAL STRUCTURE**

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

## **CONTINGENT LIABILITIES**

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

An indirect wholly-owned subsidiary of the Company in Mainland China provided guarantees to certain financial institutions in an aggregate amount of approximately RMB172.3 million (equivalent to approximately HK\$188.6 million) for independent purchasers of premises of the Central Square in relation to which the related premises ownership certificates had not been issued as at 30 June 2025. The aforesaid guarantees would be released upon the issuance of the premises ownership certificate to those buyers.

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

## **EMPLOYEES**

As at 30 June 2025, the total number of employees of the Group was 13,422 (30 June 2024: 15,537).

Employees' costs (including directors' emoluments) amounted to approximately HK\$335.3 million for the Period (2024: approximately HK\$393.5 million).

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

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

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 6 May 2025, South China Industries (China) Limited ("SCI (China)") and Sino Pioneer International Limited ("Sino Pioneer"), both being indirect wholly-owned subsidiaries of the Company, as vendors entered into the sale and purchase agreement with Splendid Enterprises Limited ("Splendid Enterprise"), a company wholly-owned by Mr. Ng Hung Sang, the controlling shareholder of the Company, the chairman of the board of directors and an executive director of the Company, as purchaser, pursuant to which SCI (China) and Sino Pioneer conditionally agreed to sell and Splendid Enterprise conditionally agreed to purchase the entire issued share capital in World Mastery Limited, Crosslight Limited and Chun Wing Company Limited (those companies retained certain properties in Tianjin), at a total consideration of HK\$26,960,296. The consideration was settled by set-off against an amount due to a related party which is indirectly wholly-owned by Mr. Ng Hung Sang at completion. This transaction was approved by independent shareholders at the extraordinary general meeting held on 17 June 2025 and completed on 27 June 2025. The gain resulted from the disposal of subsidiaries was approximately HK\$67,561,000, which have been recognised to the consolidated statement of profit or loss during the Period. Details of the disposal were set out in the Company's announcements dated 6 May 2025, 7 May 2025, 27 May 2025 and 3 June 2025 and the circular of the Company dated 10 June 2025.

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



## PROSPECTS

High interest rates and US tariff policies as well as geopolitical uncertainties stirred up global economic headwinds in the first half of 2025, and the Group's overall business performance was inevitably affected. Despite interest rates are one of the main tools used by the US Federal Reserves (the "Fed") to keep the US economy stable, the financial markets generally anticipate that the Fed will cut interest rates in the second half of 2025 as the inflation in the first half of 2025 was at an acceptable level, and the US President Donald Trump has repeatedly expressed his preference in cutting interest rates which would be a catalyst in stimulating the domestic consumption and diluting the impact of import tariffs.

On the other hand, it is expected that Mainland China will introduce more policy support for consumption and "new economy" sectors. The second half of 2025 is expected to be a balancing act between the government stimulus-driven stabilization and external headwinds in China. China's GDP growth target in 2025 was set at about 5% notwithstanding the challenges from external environment, which indicates a strong policy support for its domestic economy. In addition, increases in government expenditures on social policies as well as adjustments to minimum wages mechanisms are the factors to support consumption. An uptick in retail sales and resilience of the service sector indicate that consumer confidence is stabilizing, with a creep-up of willingness to spend by Mainland Chinese consumers. However, housing prices continue to decline and real estate investment remains lacklustre.

It is further expected that the central government of China will maintain a supportive monetary stance and accelerate local government bond issuance to drive infrastructure projects, while continuing to prioritize consumption, innovation and structural reforms in the second half of 2025. If the US interest rates drop later this year, the pressure on renminbi is expected to reduce, which in turn will open room for domestic easing. Stimulating domestic demand remains central to Mainland China's economic strategy.

The Group believes that monetary authorities of Mainland China are having a clear preference for prioritizing stability in the second half of 2025. With consumer price inflation hovering below one percent and producer prices continuing their climbing out of deflationary territory, the People's Bank of China has ample space to keep monetary conditions accommodative. It is expected that the central government of China will keep domestic demand on an upward trajectory by combining front-loaded fiscal spending with targeted measures to bolster consumption.

The Group will stay close to the changing environment for reacting promptly for improving the performance in various business segments, and capturing any new business opportunities in the second half of 2025.

## **Trading and Manufacturing**

### *OEM toys production*

The global economic volatilities and geopolitical tensions will continue to be significant challenges to this business segment. The planned imposition of additional tariffs by USA as well as persistently high interest rate would further complicate the international trade environment, which in turn cast a direct influence on the overall demand for toys products from the Group's key US customers.

As a leading OEM toys manufacturer, the Group is equipped with world-class engineering and production capabilities to fulfill customers' product designs and manufacturing requirements in the fast pace industry environment, therefore, the Group has received notably endorsements and confidence by its key customers with whom it has built long-term business and mutual trust relationships. By advancing vertical integration and innovation, the Group has established its role as a one-stop solution provider by delivering bespoke product development services that align with the evolving needs of its customers.

To further broaden market presence and enhance the production utilization rate, the Group will focus on diversifying its customer base and adapting to demands of clients who are highly price-conscious. Meanwhile, the Group will further strengthen supplier relationships and increase local sourcing by outsourcing non-core manufacturing processes for optimizing resources allocation and profit margin.

To maintain competitive advantage, the Group will continue to optimize the allocation and usage of its resources and streamline the production processes as well as enhance the facilities of its manufacturing plants.

With the alternative manufacturing hub, the Group has diversified its production and supply chain network by expanding its production to Vietnam, taking advantage of lower labour costs. The plants in Vietnam are in the proximity of the Group's existing supply chain networks, which facilitates logistics in the supply of materials. Meanwhile, the Group will expand its production base in Vietnam for meeting the customers' needs.

In order to follow the strategic shift of production lines from Mainland China to Vietnam for optimizing operational efficiency, enhancing supply chain flexibility and diversification and realising the value of idle manufacturing assets, the Group will always seek the opportunity for the disposal of idle manufacturing assets such as land use right in Mainland China. In addition, the Group can use the proceeds from the disposal to improve its financial position and provide additional resources for its business development.

To minimize potential production disruptions and balance different parties' interests along the supply chain of toys production, the Group will monitor the impact of new US tariff proactively and apply timely adjustments to products pricing and planned strategies on supply chain management.

The Group recognizes the transformative potential of artificial intelligence ("AI") in revolutionizing the toy manufacturing industry. By embracing AI, the Group aims to enhance operational efficiency, improve product quality and cost effectiveness, and deliver greater value to its customers.

#### *Trading of footwear products*

The Group will maintain its cooperative network of referrers for the purpose of referring new customers, which would widen the business opportunities of the Group. On the other hand, no fixed costs for maintaining the referrers will be incurred by the Group as the referrers will only be compensated upon receipt of revenue from the orders generated through their referrals. It has been the strategy of the Group to place orders with different plants as endorsed by its customers in different countries to strike a balance between the production costs and profit margins in each order. For capturing more businesses, the Group has diversified its product offerings to include athletic footwear and apparels for its existing customers since the second quarter of 2025. Meanwhile, the Group will continue to explore business opportunities in this segment in order to maximize its return.

## **Property Investment and Development**

### *Property Investment*

The Group will continue to optimize and adjust the tenant mix by modifying and upgrading facilities and establishing experiential retail spaces in its Avenue of Stars, a renowned mall in Shenyang, for clustering fashion and family entertainment retailers targeting at young couples and family customers. In addition, the retail podium of Central Square has recently widened its tenant mix by leasing part of the area thereof to hotel operators, coupled with diversified services provided by other experiential retailers such as food and beverages, banking, hair salon, convenient store, pet shop and etc.. The foregoing initiatives are further supported by the authorities in Mainland China which have issued more favourable visa policies since 2024 for attracting more tourists who will bring positive impact on the retail industry which in turn would reinforce the leasing demand of retailers. As a result, the customer base would be widened with synergy effect to be achieved which in turn will bring a positive impact on the Group's rental income.

### *Property Development*

The overall real estate market in Mainland China is expected to continue to undergo an adjustment period, marked by gradual demand recovery and evolving policy support.

In the first half of 2025, the year-on-year decline in both sales of newly built commercial housing and total sales value narrowed moderately, reflecting ease of market pressures compared to the previous year. According to the National Bureau of Statistics of Mainland China ("NBS"), several positive trends were identified during the Period in the real estate market in Mainland China, including improvement in sales, narrowing price declines, increased financial resources for property industry, and a continued decrease in the volume of unsold properties. However, as also cautioned by NBS, both the sales area and value of commercial housing are expected to continue to decline as the property market's bottoming-out process will take time, and it is normal for key indicators to fluctuate during this phase of adjustment and transition. The Group will therefore continue to maintain highly cautious approach to its property project development and management.

It is expected that the central government of China will continuous to reinforce supportive measures to boost the property market in 2025, such as loosening purchase restrictions, reducing down-payment ratios and mortgage interest rates, and reducing deed tax and value-added tax. These policies aim to boost market confidence and speed up recovery in prices in first-tier cities, and accelerate inventory reduction in second to fourth-tier cities.

2025 will be a year in terms of government policies both in Mainland China and Hong Kong shaping the market, and it is expected that boosting consumption and promoting economic growth would have significant positive impact on real estate market. Notwithstanding some subsisting challenges, the outlook for the real estate market in Mainland China and Hong Kong remains positive.

The local authority in Nanjing has been in discussions with the Group for (i) the solution of resolving the Group's low-efficiency land sites located in the urban prime areas where non-core businesses are being carried out, including buy-back at agreed compensation by reference to current market value of the land sites for the purpose of upgrading such low-efficiency land sites to high-value land sites by redevelopment to residential or commercial areas for enhancement of city development which in turn leads to advancement of quality of city and (ii) providing administrative support to the Group for exploring optimal and sustainable redevelopment plans including upgrading infrastructure and revitalizing the usage of some of its low-efficiency land sites which in turn would substantially upgrade the value of such targeted land sites. In addition, the local authority of some villages in Shenzhen have also discussed with the Group for exploring the possibility of buying back those land sites on which the Group's scale-down operation plants are located for urban-village redevelopment. Given the land banks in Nanjing and Shenzhen were all invested by the Group at relatively low cost in early years, such realizations of land banks without having core operations, if materialized, are expected to provide positive contributions to the Group's financial results on the one hand, and on the other hand the revitalization of other low-efficiency land sites in Nanjing is expected to bring significant value to the Group. The Group will positively grasp these opportunities to maximize the value of those land banks for the benefits of the shareholders.

### **Agriculture and Forestry**

The Group currently has long-term leases of over 290,000 mu (approximately 193 million sq.m.) of woodland, farmland, fishponds, and lake spaces across various major provinces in Mainland China, with a focus on cultivating fruits and crops such as apples, winter dates, peaches, pears, and corn as well as sub-leasing of some farmland to other operators for maximizing the usage and return. The Group is committed to exploring opportunities for planting high-profit-margin species while prioritizing enhancements in harvest yields, sales distribution channels, resource utilization, and cost control to improve the operational performance of this segment. Furthermore, the Group will actively look for opportunities to achieve higher returns through the conversion of agricultural land usage and pursue strategic cooperation with other agricultural operators to strengthen its market position and operational efficiency.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

#### *Macroeconomic environment*

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

#### *Cost increase*

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

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

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

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

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

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

## **Risks relating to Agriculture and Forestry**

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

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

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

## **INTERIM DIVIDEND**

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2025.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules throughout the six months ended 30 June 2025.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as its code of conduct regarding directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities. Following specific enquiries by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2025.



## UPDATE ON LITIGATION PROCEEDINGS

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

#### *Case on infringement of copyrights*

As disclosed in the latest annual report of the Company, there was no material change for the six months ended 30 June 2025.

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

As disclosed in the latest annual report of the Company, there was no material change for the six months ended 30 June 2025.

### (ii) Case on infringement of land situated at Tianjin Binhai land

Following the judgment of Tianjin High People's Court dismissing the appeal by World Right Investments Limited (環威投資有限公司) ("World Right") on 31 December 2024, World Right has appealed to the Supreme People's Court for retrial which accepted the retrial appeal filed by World Right on 23 July 2025. The case is currently being set down for hearing.

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

As disclosed in the latest annual report of the Company, there was no material change for the six months ended 30 June 2025.

## EVENTS AFTER THE REPORTING PERIOD

On 21 July 2025, Everwin Toys (Dongguan) Company Limited ("Everwin Toys"), an indirect wholly-owned subsidiary of the Company, as vendor entered into a sale and purchase agreement with 東莞市清溪謝坑實業投資有限公司 (the "Purchaser"), an independent third party, pursuant to which the Purchaser has agreed to acquire, and Everwin Toys has agreed to sell the land use rights of two industrial land sites located at Xiekeng Village, Qingxi Town, Dongguan City, Guangdong Province, the PRC, for a total consideration of RMB42,624,000 (equivalent to approximately HK\$46,840,000) payable by cash. Up to the date of this announcement, this transaction is not yet complete. Details of the disposal were set out in the Company's announcements dated 21 July 2025 and 25 July 2025.

Save as aforesaid, there is no material event after the reporting period as at the date of this announcement.



## AUDIT COMMITTEE

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

The Group's unaudited interim results for the six months ended 30 June 2025 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such unaudited interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement has published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.scholding.com](http://www.scholding.com)). The interim report of the Company for the six months ended 30 June 2025 will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 20 August 2025

*As at the date of this announcement, the Directors of the Company are:*

***Executive Directors:***

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

***Non-executive Directors:***

*Ms. Ng Yuk Mui Jessica*  
*Mr. Yu Pui Hang*

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

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