



**SOUTH CHINA ASSETS HOLDINGS LIMITED**  
**南華資產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 08155)**

**FIRST QUARTERLY REPORT**  
**FOR THE THREE MONTHS ENDED 31 MARCH 2020**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

## QUARTERLY RESULTS

The board of directors (the “Board”) of South China Assets Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2020 together with the relevant comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		Three months ended	
		31 March	
		2020	2019
	Notes	HK\$'000	HK\$'000
Revenue	2	562	266
Other operating income		151	4,574
Fair value loss on financial assets at fair value through profit or loss		(3,288)	(774)
Gain on disposal of financial assets at fair value through other comprehensive income		385	–
Administrative and other operating expenses		(1,744)	(4,973)
		<u>(3,934)</u>	<u>(907)</u>
Operating loss		(3,934)	(907)
Finance costs		(3,149)	(4,619)
		<u>(7,083)</u>	<u>(5,526)</u>
Loss before income tax		(7,083)	(5,526)
Income tax expense	4	–	–
		<u>–</u>	<u>–</u>
<b>Loss for the period attributable to the equity holders of the Company</b>		<b><u>(7,083)</u></b>	<b><u>(5,526)</u></b>
<b>Loss per share attributable to equity holders of the Company for the period</b>			
Basic and diluted	6	<b><u>HK(0.06) cent</u></b>	<b><u>HK(0.05) cent</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
<b>Loss for the period</b>	<b>(7,083)</b>	(5,526)
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value loss on financial assets at fair value through other comprehensive income	<b>(16,479)</b>	(196)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of overseas subsidiaries	<u><b>(173)</b></u>	<u>3,156</u>
<b>Total comprehensive loss for the period attributable to the equity holders of the Company</b>	<u><b>(23,735)</b></u>	<u>(2,566)</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Share capital HK\$'000	Treasury shares HK\$'000	Capital reserve HK\$'000	Financial assets revaluation reserve HK\$'000	Employee compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
<b>At 31 December 2018 and 1 January 2019 (audited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(168,855)</u>	<u>23,848</u>	<u>(1,503)</u>	<u>86,131</u>	<u>37,259</u>
<b>Comprehensive income</b>								
Loss for the period	-	-	-	-	-	-	(5,526)	(5,526)
<b>Other comprehensive income</b>								
Changes in fair value of financial assets	-	-	-	(196)	-	-	-	(196)
Exchange realignment	-	-	-	-	-	3,156	-	3,156
Total comprehensive loss for the period	-	-	-	(196)	-	3,156	(5,526)	(2,566)
<b>At 31 March 2019 (unaudited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(169,051)</u>	<u>23,848</u>	<u>1,653</u>	<u>80,605</u>	<u>34,693</u>
<b>At 31 December 2019 and 1 January 2020 (audited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(142,933)</u>	<u>23,848</u>	<u>(3,655)</u>	<u>61,461</u>	<u>36,359</u>
<b>Transfer between reserves</b>								
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	548	-	-	(548)	-
<b>Comprehensive income</b>								
Loss for the year	-	-	-	-	-	-	(7,083)	(7,083)
<b>Other comprehensive income</b>								
Change in fair value of financial assets	-	-	-	(16,479)	-	-	-	(16,479)
Exchange realignment	-	-	-	-	-	(173)	-	(173)
Total comprehensive loss for the period	-	-	-	(16,479)	-	(173)	(7,083)	(23,735)
<b>At 31 March 2020 (unaudited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(158,864)</u>	<u>23,848</u>	<u>(3,828)</u>	<u>53,830</u>	<u>12,624</u>

*Notes:*

## **1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements for the three months ended 31 March 2020 have been reviewed by the audit committee of the Company.

The unaudited condensed consolidated financial statements have been prepared in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), the accounting principles generally accepted in Hong Kong and the relevant Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019 except that the Group has adopted the newly issued and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which are effective for the annual period beginning on 1 January 2020, as disclosed in the annual financial statements for the year ended 31 December 2019. The adoption of new and revised HKFRS does not have material impact on the Group’s financial performance and financial position.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 December 2019.

## **2. REVENUE**

For the three months ended 31 March 2020, the revenue represents interest income from the money lending operation.

## **3. SEGMENT INFORMATION**

The Group has identified its operating segments based on the regular internal financial information reported to the Group’s management for their decisions about resources allocation and review of performance. The Group has identified two reportable segments as follows:

- (a) the financial services segment which is engaged in provision of investment advisory and asset management services and money lending business; and
- (b) the property development segment which is engaged in property development business in the People’s Republic of China (“PRC”).

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

**For the three months ended 31 March 2020**

	<b>Financial Services HK\$'000</b>	<b>Property Development HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Segment revenue:</b>			
Revenue from external customers	<u>562</u>	<u>-</u>	<u>562</u>
<b>Segment loss</b>	<u><b>199</b></u>	<u><b>(373)</b></u>	<b>(174)</b>
Unallocated corporate expenses			<b>(891)</b>
Fair value loss on financial assets at fair value through profit or loss			<b>(3,289)</b>
Gain on disposal of financial assets at fair value through other comprehensive income			<b>385</b>
Unallocated finance costs			<u><b>(3,114)</b></u>
Loss before income tax			<b>(7,083)</b>
Income tax expense			<u>-</u>
Loss for the period			<u><b>(7,083)</b></u>

**For the three months ended 31 March 2019**

	Financial Services HK\$'000	Property Development HK\$'000	Consolidated HK\$'000
<b>Segment revenue:</b>			
Revenue from external customers	<u>266</u>	<u>-</u>	<u>266</u>
<b>Segment loss</b>	<u><b>(1,108)</b></u>	<u><b>(3,195)</b></u>	<b>(4,303)</b>
Unallocated corporate income			4,337
Unallocated corporate expenses			(205)
Fair value loss on financial assets at fair value through profit or loss			(774)
Unallocated finance costs			<u>(4,581)</u>
Loss before income tax			(5,526)
Income tax expense			<u>-</u>
Loss for the period			<u><b>(5,526)</b></u>

The Group's geographical information of the revenue from external customers are not presented as the revenue for the three months ended 31 March 2020 and 31 March 2019 are attributable to a single geographical region, Hong Kong, and the Group did not depend on any single customer under the segments for the three months ended 31 March 2020 and 31 March 2019.

#### 4. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong during the period ended 31 March 2020 and 2019.

The Group's subsidiaries in the PRC are subject to the PRC enterprise income tax ("EIT") at the standard rate of 25% on the estimated assessable profits. No provision for EIT has been made as the subsidiaries operated in the PRC had no assessable profits for the period ended 31 March 2020 and 2019.

#### 5. DIVIDEND

The Board resolved not to declare the payment of dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: Nil).

#### 6. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	<b>Three months ended 31 March</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Loss attributable to equity holders of the Company used in the basic loss per share calculation	<b><u>(7,083)</u></b>	<u>(5,526)</u>
	<b>2020</b>	2019
Weighted average number of ordinary shares in issue during the period	<b>11,178,498,344</b>	11,178,498,344
Less: Weighted average number of shares held for share award scheme	<b><u>(169,163,118)</u></b>	<u>(169,163,118)</u>
Weighted average number of ordinary shares used in the basic loss per share calculation	<b><u>11,009,335,226</u></b>	<u>11,009,335,226</u>

Diluted loss per share for the three months ended 31 March 2020 and 31 March 2019 are the same as the basic loss per share. The Company's share options have no dilution effect for the three months ended 31 March 2020 and 31 March 2019 because the exercise prices of the Company's share options were higher than the average market prices of the shares for the both periods.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL SUMMARY**

The Group recorded revenue and loss attributable to the equity holders of the Company, both being the financial key performance indicators, for the three months ended 31 March 2020 of HK\$562,000 (three months ended 31 March 2019: HK\$266,000) and HK\$7.1 million (three months ended 31 March 2019: HK\$5.5 million) respectively. The loss attributable to the equity holders of the Company for the three months ended 31 March 2020 increased primarily resulted from decrease in other operating income and increase in fair value loss on financial assets at fair value through profit or loss.

### **FINANCIAL REVIEW**

During the period under review, money lending business has generated revenue of HK\$562,000 (three months ended 31 March 2019: HK\$266,000). The property development segment did not record any revenue from external customers during the period.

For the three months ended 31 March 2020, the fair value loss on financial assets at fair value through profit or loss was HK\$3.3 million (three months ended 31 March 2019: HK\$0.8 million). The change in fair value loss resulted from the movements in share price of South China Holdings Company Limited (“SCHC”).

Other operating income amounted to HK\$0.2 million (three months ended 31 March 2019: HK\$4.6 million) for the period under review. The decrease mainly resulted from less interest income from fixed deposits as they were withdrawn to repay certain shareholders’ loans in last year. Administrative and other operating expenses decreased to HK\$1.7 million (three months ended 31 March 2019: HK\$5.0 million) for the period under review and such decrease was due to efforts in containing costs. Finance costs decreased to HK\$3.1 million (three months ended 31 March 2019: HK\$4.6 million) for the period under review and such decrease was due to certain shareholders’ loans being repaid in last year.

### **BUSINESS REVIEW**

The principal businesses of the Group include financial services and property development.

#### **(a) Financial services**

The segment is made up of subsidiaries holding licences for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The segment also consists of money lending business under South China Financial Credits Limited (“SCFC”), a wholly-owned subsidiary of the Company. SCFC is governed by the Hong Kong Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) with business scope encompassing mainly unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation to independent external customers.

SCFC has appointed a new head to take charge of the money lending business with a new strategy. The move has successfully tapped into customer segments with better credibility background and built a healthy loan portfolio.



As at 31 March 2020, the gross loan portfolio has gradually increased and amounted to HK\$15.3 million. SCFC has tightened its credit approval for new loan and refinancing applications and also strengthened its debt collection function to provide safeguard for excessive credit risk.

The segment also consists of a subsidiary who has membership of Professional Insurance Brokers Association (“PIBA”) and is a Mandatory Provident Fund (“MPF”) principal intermediary under MPF Schemes Ordinance (“MPFSO”).

The directors considered that the key risk exposures of our investment advisory, asset management business and money lending business are credit risk, market risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The Group does not take trade positions which expose it to material price risk or foreign exchange risk.

## **(b) Property development**

### *Huanghua Project*

The Huanghua New City (黃驛新城) property development project located in Cangzhou, Hebei province, with a site area of 32,336 sq. m. (the “First Land Site”), is a commercial and retail development to provide shopping mall, entertainment, dining and recreational facilities, having a total gross floor area (“GFA”) of approximately 42,000 sq. m.. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) for the project. Main construction works of the First Land Site will commence upon the issuance of the Construction Permit (建設工程施工許可證), which has been planned as the first phase of the Huanghua New City property development project (the “Phase I Project”).

In 2014, the Group won a bid at the tender for the acquisition of another land site (the “Second Land Site”) adjacent to the First Land Site, with a site area of 32,921 sq. m. and having GFA of approximately 107,000 sq.m. The Second Land Site has been planned as the second phase of the Huanghua New City property development project (the “Phase II Project”), which will provide commercial, retail, office, and hotel facilities for further enhancement of variety of facilities of the whole Huanghua New City project. The Group obtained the State-owned Land Use Right Certificate and the Land Use Permit in prior years and further obtained the Construction Planning Permit in July 2018.

On 7 September 2018, the Group received a notice from Cangzhou City Land Resources Bureau (滄州市國土資源局) (“Cangzhou Land Bureau”) to request the repossession of the Second Land Site (the “Repossession”). The Group subsequently filed an appeal in form of an application for administrative review to Hebei Province Land Resources Bureau (河北省國土資源局) (“Hebei Land Bureau”), the provincial authority to which Cangzhou Land Bureau is reporting.

On 24 December 2018, Hebei Land Bureau notified the Group and Cangzhou Land Bureau that the administrative review process shall be temporarily suspended to allow both parties to discuss for settlement of the dispute. The Group would resume the administrative review process on the Repossession if no acceptable solution is reached with Cangzhou Land Bureau. The Group would take all necessary measures, including but not limited to initiate legal proceedings against Cangzhou Land Bureau, to safeguard the Group’s legal rights and interest in the Phase II Project if the result of the administrative review is not favourable to the Group. Due to the unexpected outbreak of coronavirus, the operations of the local government departments were substantially affected. Negotiations with Cangzhou Land Bureau by exploring any solution in the dispute would keep on upon full resumption of operations of Cangzhou Land Bureau. In view of the progress of previous negotiations before the outbreak of novel coronavirus, the Group is optimistic in achieving an acceptable solution for safeguarding the Group’s rights and interest in the Phase II Project.

The existing property portfolio of the Group is located in the PRC and is therefore subject to the risks associated with the PRC property market. Our property development operations in the PRC 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. To mitigate the abovementioned risks, the Group will monitor such exposures closely with a view to reacting timely to any change.

## **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

The Group did not have any material acquisition or disposal during the three months ended 31 March 2020.

## **PROSPECTS**

The year of 2020 is very challenging given the dynamic changes in macroeconomic environment under the outbreak of the novel coronavirus disease. Management believes it is the best interest of the Group to continue carrying on but being highly cautious in the financial services business which is able to produce steady income stream. Meanwhile, the Phase I Project in Huanghua New City under the property development segment has resumed its planning in late 2019 and is under ongoing and close monitoring by management on its progress under current market situation.

### **(a) Financial services business**

As a result of improved credit approval and debt collection processes, money lending business became one of the major income stream and continued to contribute income to the Group.

The Group is structuring private funds with various investment strategies and asset classes to meet our clients' investment needs and risk appetites. Being engaged by these funds as the investment manager to provide tailor-made discretionary portfolio and management solutions, the Group will then generate revenue after launching of the funds.

The Group is also seeking to grow its wealth management services through the recruitment of relevant personnel and development of channels and business.

Due to the latest outbreak of novel coronavirus disease, the Group's risk management has been tightened aim at minimizing key risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure that relevant regulated entities comply with regulatory capital requirements and the financial services operation is able to maintain adequate working capital.

### **(b) Property development business**

#### *Zhongjie Project*

Subsequent to the completion of phase 1 of the project, development of phase 2 of the project has been commenced. Phase 2 development consists of 2 complexes. Design of the first complex has been confirmed and the construction permit is to be obtained in about June 2020 subsequent to the issuance of design permit in May 2020. The main construction works of complex are to be completed in about September 2020 and then available for pre-sale. The development work of the second complex is expected to be taken place upon obtaining the land use right certificate after pre-sale of the first complex. The development area of the first and the second complexes is approximately 3,900 sq.m. and 9,000 sq.m. respectively, and the respective saleable area is approximately 3,800 sq.m. and 8,400 sq.m.. In view of the market sentiment in the vicinity areas of the phase 2, phase 2 project is expected to strengthen up the performance of the Group.

### *Huanghua Project*

Resulting from the continuous improvements in demographic and infrastructural facilities therein as well as optimistic expectation of the outcome of negotiation with Cangzhou Land Bureau, the Group decided to restart part of Phase I Project with an expected saleable area of approximately 15,000 sq.m. in 2020. Due to the unexpected outbreak of novel coronavirus during the period of Lunar New Year, certain number of employees of the Group were not allowed to freely get off from one place to another and each corporation thereof (including our office in Tianjin, which is responsible for Huanghua New City property development project) was not allowed to resume its operations and businesses until satisfaction of mandatory inspections by local authorities. Our office in Tianjin resumed its operations recently, but relevant employees had yet been on board, hence the development plan of the Phase I Project was inevitably delayed.

In order to lower business risk under the current market situation and relieve burden on capital resources, each of the Phase I Project and the Phase II Project would be developed in phases.

The Group will formulate more stringent and conservative investment standards and pay close attention to quality investment opportunities that are undervalued in the primary and secondary markets. The Group will make investment decisions under strict investment discipline to ensure the transparency and quality of investments which to continuously increase net asset per share attributable to shareholders. By further recouping funds through asset restructuring, the Group will optimise capital allocation, consolidate its core business with advantages and strengthen the Group's overall ability to control risks and withstand various fluctuations, so as to generate attractive returns for the shareholders.

### **EVENTS AFTER THE REPORTING PERIOD**

On 9 April 2020, South China Industries (BVI) Limited ("SCI"), a wholly-owned subsidiary of South China Holdings Company Limited, an associate of the Company's connected person and the Company entered into a joint venture agreement for the purpose of formation of a joint venture company in which the Company and SCI hold 60% and 40% respectively. The joint venture company will be an investment holding company which will carry out production and sales of medical face masks and related products for capturing tremendous demand for medical face masks against COVID-19 worldwide. Given, the Company holds 60% of the joint venture company, the joint venture company will be a non-wholly-owned subsidiary of the Company, and its financial results will be consolidated into the financial statements of the Group.

### **UPDATE ON THE LISTING STATUS**

The Company received a letter dated 3 April 2020 from The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the effect that the Stock Exchange had decided that the Company has failed to maintain a sufficient level of operation and assets of sufficient value to support its operations under GEM Listing Rule 17.26 to warrant the continued listing of the Company's shares (the "Shares") and had decided to suspend trading of the Shares under GEM Listing Rules 9.04(3) (the "Decision"). Under GEM Listing Rules 4.06(1) and 4.08(1), the Company has the right to request the Decision be referred to the Listing Committee for a review. The Company has submitted a written request to the GEM Listing Committee on 15 April 2020 for a review of the Decision. The review hearing has been scheduled on 14 July 2020. The Shares have not yet been suspended from trading and the Directors understand that they will not be suspended unless the Decision is upheld.

## DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2020, the interests and short positions of the directors of the Company (the "Directors") and the chief executive 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 ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

### (i) Long positions in ordinary shares of the Company (the "Shares")

Name of Directors	Capacity	Personal interests	Number of Shares held			Total interests	Approximately percentage of total interests to total issued Shares
			Family interests	Corporate interests			
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner/ Interest of spouse/ Interest of controlled corporations	363,393,739	967,923,774	5,925,861,298 (Note (a))		7,257,178,811	64.92%
Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner	2,602,667	-	-		2,602,667	0.02%

### (ii) Long positions in underlying Shares

Name of Directors	Capacity	Number of underlying Shares	Approximate percentage of shareholding to total issued Shares
Ms. Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (Note (b))	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 (Note (b))	0.75%

Notes:

- (a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Eartrade Investments Limited ("Eartrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via South China Holdings Company Limited ("SCHC"). Bannock was a wholly-owned subsidiary of Eartrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. SCHC was owned as to approximately to 61.22% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Eartrade.

- (b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the “Share Option Scheme”). For more details, please refer to the section headed “Share Option Scheme”.

Apart from the foregoing, none of the Directors 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 by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 March 2020.

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

The Company has been notified of the following interest in its issued Shares at 31 March 2020 amounting to 5% or more of the Shares in issue:

### **Long positions in Shares**

Name of Shareholders	Capacity	Beneficial interests	Number of Shares held			Total interests	Approximately percentage of total interests to total issued Shares
			Family interests	Corporate interests			
Earntrade Investments Limited (“Earntrade”)	Beneficial owner/ Interest of controlled corporations	1,150,004,797	–	1,088,784,847	2,238,789,644 <i>(Note (a))</i>	20.03%	
Fung Shing Group Limited	Beneficial owner	1,817,140,364	–	–	1,817,140,364	16.26%	
Parkfield Holdings Limited	Beneficial owner	1,728,362,917	–	–	1,728,362,917	15.46%	
Bannock Investment Limited (“Bannock”)	Beneficial owner	1,088,784,847 <i>(Note (a))</i>	–	–	1,088,784,847	9.74%	
Ms. Ng Lai King Pamela (“Ms. Ng”)	Beneficial owner/ Interest of spouse	967,923,774	6,289,255,037 <i>(Note (b))</i>	–	7,257,178,811	64.92%	

*Notes:*

- (a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.
- (b) Ms. Ng, who held 967,923,774 Shares 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 have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed “Directors and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” in the above.

Apart from the foregoing, as at 31 March 2020, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors and Chief Executive’s 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 that was required to be recorded pursuant to section 336 of SFO.

## EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employees' share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK\$50 million for the purchase of shares in the Company and/or SCHC from the market. Such shares shall form part of the capital of the trust fund 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' resources for the purpose of purchase of shares as referred to in the above.

## SHARE OPTION SCHEME

The Company adopted a Share Option Scheme in May 2012 (the "2012 Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The share options granted under the 2012 Share Option Scheme are unlisted. Particulars and movements of the outstanding share options granted under the 2012 Share Option Scheme during the three months ended 31 March 2020 were as follows:

Name and category of participant	Number of share options					Balance as at 31/03/2020	Date of grant of share options (DD/MM/YYYY)	Exercisable period of share options (Note i)	Price of shares		
	Balance as at 01/01/2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				Exercise price per share option HK\$	Immediately preceding the grant date of share options (Note ii) HK\$	Immediately preceding the exercise date of share options (Note iii) HK\$
<b>Directors</b>											
Ms. Cheung Choi Ngor	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A
Mr. Ng Yuk Yeung Paul	25,152,000	-	-	-	-	25,152,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A
	25,152,000	-	-	-	-	25,152,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A
	33,536,000	-	-	-	-	33,536,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A
Sub-total	<u>139,736,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,736,000</u>					
<b>Others</b>											
Mr. Ng Yuk Fung Peter	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A
Sub-total	<u>55,896,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,896,000</u>					
<b>Total</b>	<u>195,632,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,632,000</u>					

Notes:

- (i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

### From the date of grant of share options

### Exercisable percentage

Within 36 months	Nil
37th-48th months	30%
49th-60th months	60%
61st-120th months	100%

- (ii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.
- (iii) The weight average closing price of the shares immediately before the date on which the options are exercised.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

The Company, South China Holdings Company Limited ("SCHC") and South China Financial Holdings Limited ("SCF"), both, being listed on the Stock Exchange, have certain common directors. The principal activities of SCHC and SCF include property investment, development business, provision of investment advisory, asset management services and dealing in securities.

Mr. Ng, Ms. Cheung and Mr. Richard Howard Gorges ("Mr. Gorges"), all being Executive Directors of the Company, are also the executive directors of SCHC. Mr. Ng and Ms. Cheung are also the executive director of SCF. Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), an Executive Director of the Company, is also the non-executive director of SCHC and the executive director of SCF. Mr. Paul Ng, a Non-executive Director of the Company, is also an executive director of SCHC.

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are the substantial shareholders of a controlled corporation of Mr. Ng, which, together with its direct wholly-owned subsidiary, holds approximately 61.22% interests in SCHC and Mr. Ng holds approximately 29.36% interests in SCF.

Ms. Cheung holds certain shareholding interests in SCHC and SCF. Mr. Gorges holds certain shareholding interests in SCF. Ms. Jessica Ng holds certain shareholding in SCHC. Mr. Paul Ng holds certain shareholding interests in SCHC and SCF.

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large scale property investment and development projects.

The Group is in the course of diversifying into the financial services businesses while SCF undertakes a wide range of financial services businesses of sizable scale in operations and with solid client portfolio.

The abovementioned common directors declare their interests in competing business and abstain from voting in transactions in which the Company and SCHC or SCF compete or is likely to compete with each other and, therefore, do not control the Board as far as transaction in relation to competing business is concerned. As such, the Board is independent from the board of SCHC or SCF, and the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of SCHC or SCF. Given the difference in business focus as referred to in the preceding paragraph, the competition between the businesses of the Company and SCHC or SCF is considered to be relatively remote.

## **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 securities of the Company during the three months ended 31 March 2020.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee), Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang and a Non-executive Director, namely Mr. Ng Yuk Yeung Paul.

The Group's first quarterly report for the three months ended 31 March 2020 has been reviewed by the Audit Committee.

By Order of the Board  
**South China Assets Holdings Limited**  
南華資產控股有限公司  
**Ng Hung Sang**  
*Chairman and Executive Director*

Hong Kong, 5 May 2020

*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 and Ms. Ng Yuk Mui Jessica as executive directors; (2) Mr. Ng Yuk Yeung Paul as non-executive director; and (3) Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang as independent non-executive directors.*