



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)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 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.

INTERIM 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 and six months ended 30 June 2020 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2	2,487	8,570	3,049	8,836
Cost of sales		(1,335)	(7,266)	(1,335)	(7,266)
Other operating income	3	18	426	169	1,117
Fair value loss on financial assets at fair value through profit or loss		(2,032)	(387)	(5,320)	(1,161)
Gain on disposal of financial assets		2,575	859	2,960	859
Administrative and other operating expenses		(3,909)	(5,798)	(5,653)	(6,888)
Operating loss	5	(2,196)	(3,596)	(6,130)	(4,503)
Finance costs	6	(3,135)	(3,841)	(6,284)	(8,460)
Loss before income tax		(5,331)	(7,437)	(12,414)	(12,963)
Income tax expense	7	-	-	-	-
Loss for the period		(5,331)	(7,437)	(12,414)	(12,963)
Loss attributable to:					
Equity holders of the Company		(5,197)	(7,437)	(12,280)	(12,963)
Non-controlling interests		(134)	-	(134)	-
		(5,331)	(7,437)	(12,414)	(12,963)
Loss per share					
Basic and diluted	9	HK(0.05) cent	HK(0.07) cent	HK(0.11) cent	HK(0.12) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Loss for the period	<u>(5,331)</u>	<u>(7,437)</u>	<u>(12,414)</u>	<u>(12,963)</u>
Other comprehensive income, that will not be reclassified subsequently to profit or loss				
Fair value gain (loss) on financial assets at fair value through other comprehensive income	5,883	(9,291)	(10,596)	(9,487)
Other comprehensive income, that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(3,462)</u>	<u>(3,186)</u>	<u>(3,635)</u>	<u>(30)</u>
Other comprehensive income (loss) for the period	<u>2,421</u>	<u>(12,477)</u>	<u>(14,231)</u>	<u>(9,517)</u>
Total comprehensive loss for the period	<u>(2,910)</u>	<u>(19,914)</u>	<u>(26,645)</u>	<u>(22,480)</u>
Total comprehensive loss attributable to:				
Equity holders of the Company	(2,776)	(19,914)	(26,511)	(22,480)
Non-controlling interests	<u>(134)</u>	<u>-</u>	<u>(134)</u>	<u>-</u>
	<u>(2,910)</u>	<u>(19,914)</u>	<u>(26,645)</u>	<u>(22,480)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,731	123
Goodwill		15,380	15,883
Loans receivable	10	2,848	2,036
Deposits paid		100	5
Financial assets at fair value through other comprehensive income		202,351	217,157
		<u>224,410</u>	<u>235,204</u>
Current assets			
Inventories		329	–
Loans receivable	10	3,188	3,125
Trade receivables	11	2,767	2,293
Properties under development		109,630	112,503
Financial assets at fair value through profit or loss		12,477	17,797
Deposits paid, prepayments and other receivables		22,339	21,982
Tax recoverable		706	716
Cash and bank balances		21,096	21,917
		<u>172,532</u>	<u>180,333</u>
Current liabilities			
Trade payables	12	1,516	1,566
Other payables, accrued expenses and receipts in advance	13	132,974	125,460
Lease liability		42	42
Interest-bearing bank borrowing		2,000	3,000
Loan from a related company		3,541	3,553
Income tax payable		55	57
		<u>140,128</u>	<u>133,678</u>
Net current assets		<u>32,404</u>	46,655
Total assets less current liabilities		<u>256,814</u>	281,859
Non-current liabilities			
Loans from shareholders		245,500	245,500
Net assets		<u>11,314</u>	<u>36,359</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		111,785	111,785
Reserves		(100,471)	(75,426)
Total equity		<u>11,314</u>	<u>36,359</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
At 31 December 2018 and 1 January 2019 (audited)	111,785	(20,191)	6,044	(168,855)	23,848	(1,503)	86,131	37,259
Change in accounting policy								
Adoption of HKFRS 16	-	-	-	-	-	-	(3)	(3)
Restated balance at 1 January 2019	111,785	(20,191)	6,044	(168,855)	23,848	(1,503)	86,128	37,256
Transfer between reserves								
Release of reserve upon disposal of financial assets	-	-	-	1,178	-	-	(1,178)	-
Comprehensive income								
Loss for the period	-	-	-	-	-	-	(12,963)	(12,963)
Other comprehensive income								
Changes in fair value of financial assets	-	-	-	(9,487)	-	-	-	(9,487)
Exchange realignment	-	-	-	-	-	(30)	-	(30)
Total comprehensive loss for the period	-	-	-	(9,487)	-	(30)	(12,963)	(22,480)
At 30 June 2019 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(177,164)</u>	<u>23,848</u>	<u>(1,533)</u>	<u>71,987</u>	<u>14,776</u>

	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	Non- Controlling Interests HK\$'000	Total equity HK\$'000
At 31 December 2019 and 1 January 2020 (audited)	<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>-</u>	<u>36,359</u>
Transfer between reserves									
Release of reserve upon disposal of financial assets	-	-	-	4,304	-	-	(4,304)	-	-
Comprehensive income									
Loss for the period	-	-	-	-	-	-	(12,280)	(134)	(12,414)
Other comprehensive income									
Changes in fair value of financial assets	-	-	-	(10,596)	-	-	-	-	(10,596)
Exchange realignment	-	-	-	-	-	(3,635)	-	-	(3,635)
Total comprehensive loss for the period	-	-	-	(10,596)	-	(3,635)	(12,280)	(134)	(26,645)
Non-controlling interest in a subsidiary	-	-	-	-	-	-	-	1,600	1,600
At 30 June 2020 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(149,225)</u>	<u>23,848</u>	<u>(7,290)</u>	<u>44,877</u>	<u>1,466</u>	<u>11,314</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June

	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	3,121	4,538
Net cash generated from investing activities	3,516	2,443
Net cash used in financing activities	(7,284)	(161,468)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(647)	(154,487)
Cash and cash equivalents, beginning of the period	21,917	177,393
Effect of foreign exchange rate changes	(174)	14
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	<u>21,096</u>	<u>22,920</u>
	<hr/>	<hr/>
Analysis of the cash and cash equivalents		
Cash and bank balances	<u>21,096</u>	<u>22,920</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 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.

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material

The directors do not expect that the amendments listed above will have a material impact on the Group’s condensed consolidated financial statements upon application.

2. REVENUE

Revenue derived from the Group’s principal activities recognised during the period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)	2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)
Revenue				
Sale of properties	–	7,683	–	7,683
Interest income from money lender business	548	264	1,110	530
Sale of face masks and related products	1,939	–	1,939	–
Rendering of services	–	623	–	623
	<u>2,487</u>	<u>8,570</u>	<u>3,049</u>	<u>8,836</u>

3. OTHER OPERATING INCOME

During the three months and six months ended 30 June 2020, other operating income mainly represents government subsidy and bank interest income.

During the three months and six months ended 30 June 2019, other operating income mainly represents bad debt recovered and bank interest income.

4. 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 three 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;
- (b) the property development segment which is engaged in property development business in the People's Republic of China ("PRC"); and
- (c) the face mask segment which is engaged in manufacture and sale of face masks and related products.

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

The following tables present revenue and loss for the Group's operating segments for the six months ended 30 June 2020 and 30 June 2019:

For the six months ended 30 June 2020

	Financial Services HK\$'000 (unaudited)	Property Development HK\$'000 (unaudited)	Face mask HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue:				
Revenue from external customers	<u>1,110</u>	<u>-</u>	<u>1,939</u>	<u>3,049</u>
Segment results	<u>(272)</u>	<u>(982)</u>	<u>(201)</u>	(1,455)
Unallocated corporate expenses				(2,582)
Fair value loss on financial assets at fair value through profit or loss				(5,320)
Gain on disposal of financial assets				2,960
Unallocated finance costs				<u>(6,017)</u>
Loss before income tax				(12,414)
Income tax expense				<u>-</u>
Loss for the period				<u>(12,414)</u>

4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2019

	Financial Services <i>HK\$'000</i> (unaudited)	Property Development <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment revenue:			
Revenue from external customers	<u>1,153</u>	<u>7,683</u>	<u>8,836</u>
Segment results	<u>(1,632)</u>	<u>(7,121)</u>	(8,753)
Unallocated corporate income			4,801
Unallocated corporate expenses			(545)
Fair value loss on financial assets at fair value through profit or loss			(1,161)
Gain on disposal of financial assets			859
Unallocated finance costs			<u>(8,164)</u>
Loss before income tax			(12,963)
Income tax expense			<u>-</u>
Loss for the period			<u>(12,963)</u>

The following tables present the assets and liabilities information for the Group's operating segments as at the reporting date:

As at 30 June 2020

	Financial Services <i>HK\$'000</i> (unaudited)	Property Development <i>HK\$'000</i> (unaudited)	Face mask <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
Segment assets	21,069	125,611	4,984	151,664
Financial assets at fair value through other comprehensive income				202,351
Financial assets at fair value through profit or loss				12,477
Other corporate assets				<u>30,450</u>
Total assets				<u>396,942</u>
Segment liabilities	4,364	6,885	3,686	14,935
Loans from shareholders				245,500
Other corporate liabilities				<u>125,193</u>
Total liabilities				<u>385,628</u>

4. SEGMENT INFORMATION (Continued)

As at 31 December 2019

	Financial Services <i>HK\$'000</i> (Audited)	Property Development <i>HK\$'000</i> (Audited)	Consolidated <i>HK\$'000</i> (Audited)
Segment assets	25,760	129,552	155,312
Financial assets at fair value through other comprehensive income			217,157
Financial assets at fair value through profit or loss			17,797
Other corporate assets			25,271
Total assets			<u>415,537</u>
Segment liabilities	3,252	6,990	10,242
Loans from shareholders			245,500
Other corporate liabilities			123,436
Total liabilities			<u>379,178</u>

During the six months ended 30 June 2020, revenue from financial services segment and face mask segment are attributable to a single geographical region, Hong Kong. During the six months ended 30 June 2019, revenue from financial services segment are attributable to a single geographical region, Hong Kong and revenue from property development segment are attributable to a single geographical region, the PRC. The Group did not depend on any single customer under the segments for the six months ended 30 June 2020 and 30 June 2019.

5. OPERATING LOSS

	Three months ended 30 June		Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Operating loss is arrived at after charging/ (crediting):				
Depreciation	6	24	13	55
Less: Depreciation capitalised in properties under development	-	(1)	-	(4)
	<u>6</u>	<u>23</u>	<u>13</u>	<u>51</u>
Employee benefit expense (including directors' emoluments)	840	1,373	1,597	2,683
Less: Employee benefit expense capitalised in properties under development	-	(132)	-	(211)
	<u>840</u>	<u>1,241</u>	<u>1,597</u>	<u>2,472</u>
Exchange gain, net	<u>(23)</u>	<u>(178)</u>	<u>-</u>	<u>(4,061)</u>

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest charged on bank borrowing	27	44	61	82
Interest charged on loan from a related company	100	107	206	214
Interest charged on loans from shareholders	3,008	3,690	6,017	8,164
	<u>3,135</u>	<u>3,841</u>	<u>6,284</u>	<u>8,460</u>

7. 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 30 June 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 30 June 2020 and 2019.

8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. 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:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss attributable to the equity holders of the Company used in the basic loss per share calculation	<u>(5,197)</u>	<u>(7,437)</u>	<u>(12,280)</u>	<u>(12,963)</u>
	Three months ended 30 June	2019	Six months ended 30 June	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period	11,178,498,344	11,178,498,344	11,178,498,344	11,178,498,344
Less: Weighted average number of shares held for share award scheme	<u>(169,163,118)</u>	<u>(169,163,118)</u>	<u>(169,163,118)</u>	<u>(169,163,118)</u>
Weighted average number of ordinary shares used in the basic loss per share calculation	<u>11,009,335,226</u>	<u>11,009,335,226</u>	<u>11,009,335,226</u>	<u>11,009,335,226</u>

9. LOSS PER SHARE (Continued)

Diluted loss per share for the three and six months ended 30 June 2020 and 30 June 2019 were the same as the basic loss per share. The Company's share options have no dilution effect for the three months and six months ended 30 June 2020 and 30 June 2019 because the exercise prices of the Company's share options were higher than the average market prices of the shares for both periods.

10. LOANS RECEIVABLE

The Group's loans receivable arose from the money lending business. Loans receivable bear interest determined on case by case basis and have credit periods mutually agreed between the contractual parties.

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Loans receivable	14,739	13,538
Less: provision for impairment loss	<u>(8,703)</u>	<u>(8,377)</u>
	6,036	5,161
Less: Non-current portion	<u>(2,848)</u>	<u>(2,036)</u>
Current portion	<u>3,188</u>	<u>3,125</u>

The loans receivable relate to a diversified portfolio of customers and there is no significant concentration of credit risk.

The loans receivable at the end of the reporting period are analysed by the remaining period to the contractual maturity date, net of provision, as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Repayable:		
On demand	43	66
Within 3 months	798	790
3 months to 1 year	2,347	2,269
1 to 5 years	<u>2,848</u>	<u>2,036</u>
	<u>6,036</u>	<u>5,161</u>

11. TRADE RECEIVABLES

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Trade receivables	2,767	2,293
Impairment loss recognised	-	-
	<u>2,767</u>	<u>2,293</u>

Ageing analysis of trade receivables based on settlement due date as at the reporting dates is as follows:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Current to 90 days	548	2,288
Over 90 days	2,219	5
	<u>2,767</u>	<u>2,293</u>

The settlement terms of trade receivables arising from the ordinary course of business are repayable on demand.

12. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Over 180 days	<u>1,516</u>	<u>1,566</u>

13. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

As at 30 June 2020, other payables, accrued expenses and receipts in advance mainly included accrued interest expenses on the loans from shareholders of HK\$124,942,000 (As at 31 December 2019: HK\$118,925,000) in respect of the loans made available to the Group in prior years.

The loans from shareholders are unsecured and carried interest at the prime lending rate as quoted by The Hong Kong and Shanghai Banking Corporation Limited from time to time, except for the loans from shareholders amounted to HK\$3,500,000 (As at 31 December 2019: HK\$3,500,000) in aggregate which is interest free. Details about the terms of the loans from shareholders have been set out in the audited consolidated financial statements of the Company for the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months period ended 30 June 2020 (the “Period”), the Group recorded revenue of approximately HK\$3 million, representing a decrease of approximately 65.5% comparing with that of approximately HK\$8.8 million for the corresponding period in 2019. Such decrease in revenue was mainly due to no revenue from sale of property had been recognized during the Period.

There was a loss attributable to the equity holders of the Company for the Period of approximately HK\$12.3 million (six months ended 30 June 2019: HK\$13 million) in which decreased by HK\$0.7 million due to efforts in containing costs.

BUSINESS REVIEW

The Group is principally engaged in (i) property development in the PRC; (ii) provision of financial services in Hong Kong (subsidiaries of the Company are holding licences for carrying out types 1, 2, 4, 9 regulated activities under the Securities and Futures Ordinance, Cap. 571 of the law of Hong Kong, and providing money lending services under Money Lenders Ordinance, Cap. 163 of the law of Hong Kong); and (iii) the manufacturing and sale of face masks and related products.

The review of the principal business segments of the Group during the Period is as follows:

(a) Property development

During the Period, no revenue attributed to the property development business has been recognized.

The following table shows the Group’s property development projects as at 30 June 2020.

Project	Location	Type	Status as of 30 June 2020	Total gross floor area (Note)
Phase 2 of Zhongjie Project	Cangzhou Zhongjie Industrial Park District	Residential property	First complex: Under-planning and in the progress of application for the mandatory certificate-construction planning certificate (建設工程規劃許可證)	Approximately 10,000 square meters
Huanghua Project	Huanghua New City	Commercial property	Under-planning	Approximately 100,000 square meters

Note: Gross floor area is calculated based on the Group’s development plans, which may be subject to change.

(b) Financial services

This segment covers a wide range of financial services including but not limited to the investment advisory services, money lending and wealth management. During the Period, the Group had revenue of approximately HK\$1.1 million (six months ended 30 June 2019: approximately HK\$1.2 million) in this segment.

The Group's strategy is to build up a "one-stop financial services center" offering customers a diverse range of financial services, the Group has been granted by the Securities and Futures Commission ("SFC") various corporate licences to carry out types 1, 2, 4, 9 regulated activities. The Group did not record any revenue from rendering consultancy services in the period under review (six months ended 30 June 2019: HK\$623,000) due to poor market sentiment attributable to COVID-19.

The Group also carries out 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 unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation. During the Period, the Group had revenue of approximately HK\$1.1 million (six months ended 30 June 2019: approximately HK\$530,000) in this business and the gross loan portfolio of the money lending business amounted to HK\$14.7 million as at 30 June 2020. SCFC has adopted a more prudent approach under the unstable market sentiment attributable to COVID-19 by tightening its credit approval of new loan and loan refinancing applications. The Group has also strengthened its debt collection functions to provide safeguard to the Group for excessive credit risk.

The directors considered that the key risk exposures of Group businesses are market risk and credit risk. In addition, the Group does not take trade positions which expose it to material price risk or foreign exchange risk.

(c) Manufacture and sale of face masks and related products

The Group has commenced its business in manufacturing and sale of face masks in the second quarter of 2020. During the Period, revenue from this segment amounted to approximately HK\$1.9 million with a segment loss of approximately HK\$201,000.

INVESTMENT PORTFOLIO

The Group's investment portfolio consists of ordinary shares and redeemable convertible preference shares ("RCPSs") of South China Holdings Company Limited ("SCHC"), which are presented under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, respectively.

Stock code	Name of security	Carrying value as at 30 June 2020 <i>HK\$'000</i>	Fair value gain (loss) during the Period <i>HK\$'000</i>
00413	SCHC		
	— Ordinary shares	39,878	(17,002)
	— RCPSs	174,950	1,086
		<u>214,828</u>	<u>(15,916)</u>

The principal business of SCHC includes trading and manufacturing, property investment and development, agriculture and forestry.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had a current ratio of 1.2 (31 December 2019: 1.4) and a gearing ratio of 49% (31 December 2019: 18%). The increase in gearing ratio was due to the decrease in equity during the Period. The Group financed its operations and investments by internal resources and bank borrowings.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 9 April 2020, South China Industries (BVI) Limited ("SCI"), a wholly-owned subsidiary of SCHC, 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 is an investment holding company which carry out production and sale of face masks and related products for capturing tremendous demand for face masks against coronavirus disease 2019 ("COVID-19") worldwide. Given, the Company holds 60% of the joint venture company, the joint venture company is a non-wholly-owned subsidiary of the Company, and its financial results are consolidated into the financial statements of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES OR ANY RELATED HEDGES

During the six months ended 30 June 2020, the Group had no significant exposure to fluctuations in foreign exchange rates or any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no pledge of assets and contingent liabilities.

PROSPECTS

The management believes it is the best interest of the Group to continue consolidate its existing financial services and property development businesses and diversify into new viable businesses such as face mask production which is expected to produce steady income stream.

(a) Property development business

Zhongjie Project

Subsequent to the completion of phase 1 of the project, planning of phase 2 of the project has been commenced in the first quarter of 2020. Phase 2 development consists of 2 complexes. The relevant land use rights of the first complex has been obtained and the construction planning certificate is to be obtained in about August 2020. The main construction works of the first complex are to be completed at about the end of 2020 and then available for pre-sale. The development of the second complex is expected to be taken place upon the successful bidding of the land site on which the second complex is located and obtaining the relevant land use right certificate.

Huanghua Project

As the area where Huanghua Project is located has been becoming more mature given a station of hi-speed train will be in operation in about two years, the construction works of Huanghua Project are expected to be commenced in about the 1st half of 2021.

(b) Financial services business

The Group has identified wealth management services e.g. funds, bonds and insurance, as an additional main business apart from brokerage. In order to expand such business, the Group has been using different media to engage relevant personnel for development of various channels for achieving businesses.

Due to the force majeure event of outbreak of COVID-19, the Group's risk management has been tightened aiming at minimizing key risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with customers, 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.

(c) Face mask business

In view of the significant surge in demand for face masks due to COVID-19 pandemic, the Group has established a production line of face mask to meet the tremendous demand in Hong Kong and overseas in second quarter of 2020. The Group is able to produce a maximum of approximately 100,000 pieces of qualified face masks per day to its clients, which are being sold both online and offline sales points.

The Group is actively adhering to enhancing profitability through continuous automation upgrade, strengthening R&D capabilities and better internal control measures. The Group will take this opportunity to further streamline its business process in order to maintain the leanest cost structure by stringent cost control measures over raw materials and labour costs, in preparation for the upcoming challenges and opportunities in healthcare product field.

Looking forward to the year ending 31 December 2020, it will be another challenging time given the global market continues to be shadowed by economic, political and public health risks, including the prolonged trade and political disputes between the U.S. and the PRC, the political campaigns in Hong Kong and COVID-19 pandemic that will cast severe negative impact on every business sector of the world and significantly slow down global economic growth. Despite the challenges, the management believes opportunities exist for our business growth. The Group will optimize capital allocation in its current main businesses and in any other business sector which is expected to have positive impact on the Group's performance, which in turn would be beneficial to its shareholders.

EVENTS AFTER THE REPORTING PERIOD

On 21 May 2020, Proper Mark International Limited ("Proper Mark"), an indirect wholly-owned subsidiary of the Company, and South China Industries (China) Limited ("SCI China"), an indirect wholly-owned subsidiary of SCHC, entered into a sale and purchase agreement pursuant to which SCI China conditionally agreed to dispose of and Proper Mark conditionally agreed to purchase 100% of the entire issued share capital of Silver Giant Limited ("Silver Giant"), an indirect wholly-owned subsidiary of SCHC, at a total consideration of HK\$17,500,000. Silver Giant indirectly 100% holds a development site at Tianjin Xiazhuozhuang Street (天津市下朱莊街) in which industrial complexes and ancillary offices can be developed for lease and sale. On 15 July 2020, all conditions precedent in respect of the acquisition were fulfilled and completion subsequently took place. Upon completion, Silver Giant has become an indirect wholly-owned subsidiary of the Company.

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 scheduled review hearing on 14 July 2020 has been postponed and the Company has no additional disclosure of the rescheduled date and time for the review hearing until further notice. 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 30 June 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 Director	Capacity	Number of Shares held			Total interests	Approximate percentage of total interests to total issued Shares
		Personal interests	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 <i>(Note (a))</i>	7,257,178,811	64.92%
Mr. Ng Yuk Yeung Paul (“Mr. Paul Ng”)	Beneficial owner	2,602,667	–	–	2,602,667	0.02%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

(ii) Long positions in underlying Shares

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of total interests 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 Earntrade Investments Limited ("Earntrade"), 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 Earntrade 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 Earntrade.
- (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 30 June 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 30 June 2020 amounting to 5% or more of the Shares in issue:

Long positions in Shares

Name of Shareholder	Capacity	Number of Shares held			Total Interests	Approximate percentage of total interests to total issued Shares
		Beneficial interests	Family interests	Corporate interests		
Earntrade Investments Limited ("Earntrade")	Beneficial owner/ Interest of a controlled corporation	1,150,004,797	–	1,088,784,847 (Note (a))	2,238,789,644	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 (Note (a))	–	–	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 (Note (b))	–	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 Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.

Apart from the forgoing, as at 30 June 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 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 that was required to be recorded pursuant to section 336 of SFO.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's 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 purposed of purchase of shares as referred to in the above.

SHARE OPTION SCHEME

The Company adopted a Share Option Scheme in May 2012 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 shares options granted under the Scheme is unlisted. Particulars and movements of the outstanding share options granted under the Share Option Scheme during the six months ended 30 June 2020 were as follows:

Name or category of participant	Number of share options					Balance as at 30/06/2020	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 option (Note ii) HK\$	Immediately preceding the exercise date of share option (Note iii) HK\$
Directors											
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>					
Others											
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>					
Total	<u>195,632,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,632,000</u>					

SHARE OPTION SCHEME (Continued)

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 or development business and provision of investment advisory or 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 substantial shareholders of a controlled corporation of Mr. Ng, together with his associates, 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 interests 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 six months ended 30 June 2020.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. 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 of dealing and its code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

The Company had complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2020 except that Ms. Ng Yuk Mui Jessica, an Executive Director of the Company, Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang, the Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 16 June 2020, which deviated from code provisions A.6.7 and E.1.2 of CG Code as they had other business engagements.

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) and 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 interim results for the six months ended 30 June 2020 has not been audited, but has been reviewed by the Audit Committee, which was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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, 11 August 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.