



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)

**THIRD QUARTERLY REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 and nine months ended 30 September 2020 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	2	703	259	3,752	9,095
Cost of sales		(579)	–	(1,914)	(7,266)
Other operating income	3	173	137	342	1,254
Fair value gain/(loss) on financial assets at fair value through profit or loss		1,935	1,741	(3,385)	580
Gain on disposal of financial assets		58,686	954	61,646	1,813
Administrative and other operating expenses		(1,726)	(3,941)	(7,379)	(10,829)
Operating profit/(loss)		59,192	(850)	53,062	(5,353)
Finance costs		(2,894)	(3,232)	(9,178)	(11,692)
Profit/(loss) before income tax		56,298	(4,082)	43,884	(17,045)
Income tax expense	5	–	–	–	–
Profit/(loss) for the period		56,298	(4,082)	43,884	(17,045)
Profit/(loss) attributable to:					
Equity holders of the Company		56,404	(4,082)	44,124	(17,045)
Non-controlling interests		(106)	–	(240)	–
		56,298	(4,082)	43,884	(17,045)
Earnings/(loss) per share					
Basic and diluted	7	HK0.51 cent	HK(0.04) cent	HK0.40 cent	HK(0.15) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	56,298	(4,082)	43,884	(17,045)
Other comprehensive income, that will not be reclassified subsequently to profit or loss				
Fair value gain on financial assets at fair value through other comprehensive income	39,215	42,100	28,619	32,613
Other comprehensive income, that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of overseas subsidiaries	6,816	323	3,181	293
Other comprehensive income for the period	46,031	42,423	31,800	32,906
Total comprehensive income for the period	102,329	38,341	75,684	15,861
Total comprehensive income attributable to:				
Equity holders of the Company	102,435	38,341	75,924	15,861
Non-controlling interests	(106)	-	(240)	-
	102,329	38,341	75,684	15,861

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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
Balance at 1 January 2019 as originally presented	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	-	-	-	2,601	-	-	(2,601)	-
Comprehensive income								
Loss for the period	-	-	-	-	-	-	(17,045)	(17,045)
Other comprehensive income								
Changes in fair value of financial assets	-	-	-	32,613	-	-	-	32,613
Exchange realignment	-	-	-	-	-	293	-	293
Total comprehensive income for the period	-	-	-	32,613	-	293	(17,045)	15,861
At 30 September 2019 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(133,641)</u>	<u>23,848</u>	<u>(1,210)</u>	<u>66,482</u>	<u>53,117</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)	111,785	(20,191)	6,044	(142,933)	23,848	(3,655)	61,461	-	36,359
Transfer between reserves									
Release of reserve upon disposal of financial assets	-	-	-	100,839	-	-	(100,839)	-	-
Comprehensive income									
Profit for the period	-	-	-	-	-	-	44,124	(240)	43,884
Other comprehensive income									
Changes in fair value of financial assets	-	-	-	28,619	-	-	-	-	28,619
Exchange realignment	-	-	-	-	-	3,181	-	-	3,181
Total comprehensive income for the period	-	-	-	28,619	-	3,181	44,124	(240)	75,684
Non-controlling interest in a subsidiary	-	-	-	-	-	-	-	1,600	1,600
At 30 September 2020 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(13,475)</u>	<u>23,848</u>	<u>(474)</u>	<u>4,746</u>	<u>1,360</u>	<u>113,643</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 quarterly 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		Nine months ended	
	30 September	2019	30 September	2019
	2020	2019	2020	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Sale of properties	-	-	-	7,683
Interest income from money lender business	370	259	1,480	789
Sale of face masks and related products	333	-	2,272	-
Rendering of services	-	-	-	623
	<u>703</u>	<u>259</u>	<u>3,752</u>	<u>9,095</u>

3. OTHER OPERATING INCOME

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

During the three months and nine months ended 30 September 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 nine months ended 30 September 2020 and 30 September 2019:

For the nine months ended 30 September 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>1,480</u>	<u>-</u>	<u>2,272</u>	<u>3,752</u>
Segment results	<u>(168)</u>	<u>(536)</u>	<u>(600)</u>	<u>(1,304)</u>
Unallocated corporate income				330
Unallocated corporate expenses				(4,602)
Fair value loss on financial assets at fair value through profit or loss				(3,385)
Gain on disposal of financial assets				61,646
Unallocated finance costs				<u>(8,801)</u>
Profit before income tax				43,884
Income tax expense				<u>-</u>
Profit for the period				<u>43,884</u>

For the nine months ended 30 September 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	1,412	7,683	9,095
Segment results	<u>(2,201)</u>	<u>(7,646)</u>	(9,847)
Unallocated corporate income			4,801
Unallocated corporate expenses			(3,102)
Fair value gain on financial assets at fair value through profit or loss			580
Gain on disposal of financial assets			1,813
Unallocated finance costs			<u>(11,290)</u>
Loss before income tax			(17,045)
Income tax expense			<u>-</u>
Loss for the period			<u>(17,045)</u>

During the nine months ended 30 September 2020, revenue from financial services segment and face mask segment are attributable to a single geographical region, Hong Kong. During the nine months ended 30 September 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 nine months ended 30 September 2020 and 30 September 2019.

5. 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 September 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 September 2020 and 2019.

6. INTERIM DIVIDEND

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

7. EARNINGS/(LOSS) PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Unaudited profit/(loss) attributable to the equity holders of the Company used in the basic earnings/(loss) per share calculation	<u>56,404</u>	<u>(4,082)</u>	<u>44,124</u>	<u>(17,045)</u>
	Three months ended 30 September		Nine months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (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 earnings/(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>

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months period ended 30 September 2020 (the “Period”), the Group recorded revenue of approximately HK\$3.8 million, representing a decrease of approximately 58.7% comparing with that of approximately HK\$9.1 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 profit attributable to the equity holders of the Company for the Period of approximately HK\$44.1 million (nine months ended 30 September 2019: loss of HK\$17 million) which was mainly due to gain from disposal of financial assets.

As at 30 September 2020, the Group had net asset value of approximately HK\$113.6 million (31 December 2019: HK\$36.4 million). Such increase in net asset value was mainly due to fair value gain and disposal gain of financial assets.

BUSINESS REVIEW

The Group’s main businesses are: (i) property development in the PRC; (ii) provision of financial services in Hong Kong (subsidiaries of the Company are licensed to carry out types 1, 2, 4, 9 regulated activities under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong, and to provide money lending services under Money Lenders Ordinance, Cap. 163 of the Laws 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 September 2020:

Project	Location	Type	Status as of 30 September 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
Xiazhuzhuang Project	Wuqing Xiazhuzhuang Street	Industrial property	Under-planning	Approximately 53,334 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 investment advisory services, money lending and wealth management. During the Period, the Group had revenue of approximately HK\$1.5 million (nine months ended 30 September 2019: approximately HK\$1.4 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. No revenue from rendering investment advisory services was recorded during the Period (nine months ended 30 September 2019: HK\$0.6 million) due to poor market sentiment attributable to COVID-19.

The Group also carries out money lending business covering personal loans, tax loans, small business loans, specialised lending loans and debt consolidation loans. During the Period, the Group had revenue of approximately HK\$1.5 million (nine months ended 30 September 2019: approximately HK\$0.8 million) in this business and the gross loan portfolio of the money lending business amounted to HK\$13.2 million as at 30 September 2020. The Group on the one hand 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, but on the other hand it strengthened its debt collection functions for minimizing credit risk.

The Board considered that the key risk exposures of the Group's businesses under this segment are market risk and credit risk. In addition, the Group did not take trade positions to minimize its exposure to price risk and foreign exchange risk.

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

The Group 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\$2.3 million with a segment loss of approximately HK\$0.6 million which was mainly due to starting cost including testing and accreditation fees.

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 September 2020 <i>HK\$'000</i>	Fair value gain (loss) during the Period <i>HK\$'000</i>
00413	SCHC		
	— Ordinary shares	46,060	(10,820)
	— RCPSs	66,606	36,054
		<u>112,666</u>	<u>25,234</u>

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had a current ratio of 1.9 (31 December 2019: 1.4) and a gearing ratio of 3.3% (31 December 2019: 18%). The increase in gearing ratio was due to the increase in equity and repayment of bank loan during the Period. The Group financed its operations and investments by internal resources and bank borrowings.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

Face mask business

On 9 April 2020, South China Industries (BVI) Limited ("SCI"), a wholly-owned subsidiary of SCHC 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 carries out production and sale of face masks and related products for capturing tremendous demand for face masks against 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.

Property development business

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 wholly owns a development site at Tianjin Xiazhuang Street (天津市下朱莊街) in which industrial complexes and ancillary offices would 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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE OR ANY RELATED HEDGES

During the Period, the Group had no significant exposure to fluctuations in foreign exchange rate or any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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

PROSPECTS

The Board believes it is the best interest of the Group to continue consolidating its existing financial services, expanding the scope of property development businesses and diversifying into new viable businesses such as face mask production which is expected to produce steady income stream.

(a) Property development business

Zhongjie Project

Planning works of phase 2 of the project, which consists of 2 complexes, were commenced in the first quarter of 2020. The construction works of the first complex have started in November 2020 subsequent to issuance of construction works commencement permit by the local authority in October 2020, and the main construction works are expected to be completed at about the end of 2021. Pre-sale of the premises of the first complex is expected to be taken place in about December 2020.

Huanghua Project

Huanghua New City has been more mature recently in terms of erection of a number of residential complexes and other community facilities, e.g. hospital, apart from the operation of a hi-speed train station in about two years. Huanghua Project has 2 phases. Given the satisfactory economic parameters including demographic condition, the planning works of phases 1 have started in October 2020 and the construction works are expected to be commenced in about the first half of 2021 and to be completed by the end of 2022.

Xiazhuzhuang Project

The project has two development phases which consists of industrial complexes and ancillary offices. The construction work of phase one is expected to be commenced in the second 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. The Group has focused its investment in engagement of several teams of relevant and experienced personnel for achieving business targets.

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.

(c) Face mask business

In view of the significant surge in demand for face masks due to the pandemic, the Group has established a production line of face mask to meet the demands in Hong Kong and overseas in the second quarter of 2020. The Group is able to produce a maximum of approximately 80,000 units of qualified face masks per day to its clients, which are being sold both online and offline sales points.

As the face mask business remains in the initial stage, the Group keeps its product development and diversification for market penetration and development respectively by means of continuous automation upgrade, strengthened R&D capabilities and stringent cost structure in both raw materials and labour.

Looking forward to the year ending 31 December 2020, the global market will continue being shadowed by economic, political and public health risks, including the US-Sino trade war, the political campaigns in Hong Kong and the pandemic that will cast impact on every business sector of the world, which in turn will affect the global economic growth. Despite the foregoing challenges, the Board believes that business opportunities will always exist. The Group will be cautious in capital allocation in its businesses and in any other business sector which is expected to bring positive impact on the Group's profitability and cash flow, and in turn would be beneficial to its shareholders.

EVENTS AFTER THE REPORTING PERIOD

Sicundian town project

On 6 October 2020, the Company issued an announcement regarding SCHC's indirect wholly-owned subsidiary namely 天津南華譽基房地產開發有限公司 (“Tianjin Yuji”) and 滄州南華房地產開發有限公司 (“Cangzhou Real Estate”), an indirect wholly-owned subsidiary of the Company, entered into an engagement agreement (the “Engagement Agreement”), pursuant to which Tianjin Yuji has conditionally agreed to engage Cangzhou Real Estate to provide comprehensive management services (including but not limited to design and planning) of a property development project located in Sicundian town of Wuqing district in Tianjin on its behalf at a total engagement fee of RMB30.0 million (equivalent to approximately HK\$34.1 million). Up to the date of this report, the conditions as stipulated in the Engagement Agreement have not yet fulfilled.

UPDATE ON THE LISTING STATUS

The review hearing by the GEM Listing Committee was taken place on 9 September 2020. On 24 September 2020, the Company received a letter from the GEM Listing Committee, notifying the Company that the GEM Listing Committee was of the view that the Company failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under GEM Listing Rule 17.26 to warrant the continued listing of its shares. On 29 September 2020, the Company requested the decision of the GEM Listing Committee be referred to the GEM Listing Review Committee for review. The Board understands that the shares of the Company will not be suspended unless the decision is upheld by the GEM Listing Review Committee. Up to the date of this report, the hearing date of the review of the decision by the GEM Listing Review Committee has yet been fixed.

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

As at 30 September 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	Personal interests	Number of Shares held			Total interests	Approximate 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 <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 EXECUTIVES' 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 <i>(Note (b))</i>	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 <i>(Note (b))</i>	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 September 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 September 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 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 September 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 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's 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 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 Scheme are unlisted. Particulars and movements of the outstanding share options granted under the Share Option Scheme during the nine months ended 30 September 2020 were as follows:

Name or category of participant	Number of share options					Balance as at 30/09/2020	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"), all 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. Ms. Pong Scarlett Oi Lan, BBS, J.P., an Independent Non-executive Director of the Company, is also the independent non-executive director of SCHC.

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also the chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are substantial shareholders of a controlled corporation of Mr. Ng, which, 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 small to medium size and diversify into the financial services businesses while SCHC mainly focuses on the larger 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 of each of the Company, SCHC and SCF 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.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 17.50A(1) of the GEM Listing, the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from the date of publication of the Company's latest annual report up to the date of this third quarterly report are as follows:

1. Mr. Cheng Hong Kei cancelled a practicing certificate and resigned as a member of Hong Kong Institute of Certified Public Accountants with effect from 30 March 2020; and
2. Ms. Pong Scarlett Oi Lan, BBS, J.P. has been appointed as independent non-executive director of South China Holdings Company Limited, a company listed on the main board of the Stock Exchange with effect from 15 September 2020.

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 nine months ended 30 September 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 includes 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 quarterly report for the nine months ended 30 September 2020 has not been audited, but has been reviewed by the Audit Committee, which was of the opinion that the preparation of such quarterly 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, 10 November 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.