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## **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)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **ANNUAL RESULTS**

The board of directors (the “Board”) of South China Assets Holdings Limited (the “Company”) is pleased to announce that the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 (the “Year”) together with the relevant comparative figures as follows:

#### **CONSOLIDATED INCOME STATEMENT**

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	2	<b>5,637</b>	19,022
Cost of sales and service		<b>(2,616)</b>	(16,316)
Gross profit		<b>3,021</b>	2,706
Other operating income and gains, net	3	<b>375</b>	5,730
Selling and distribution expenses		<b>(610)</b>	–
Gain on disposal of financial assets at fair value through other comprehensive income		<b>61,857</b>	3,999
Fair value loss on financial assets at fair value through profit or loss		<b>(3,288)</b>	(775)
Administrative and other operating expenses		<b>(19,373)</b>	(15,428)
Operating profit/(loss)	5	<b>41,982</b>	(3,768)
Finance costs		<b>(10,715)</b>	(14,957)
<b>Profit/(loss) before income tax</b>		<b>31,267</b>	(18,725)
Income tax expense	6	<b>–</b>	(163)
<b>Profit/(loss) for the year</b>		<b>31,267</b>	(18,888)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit/(loss) for the year</b>		<u>31,267</u>	<u>(18,888)</u>
<b>Other comprehensive income, that will not be reclassified subsequently to profit or loss</b>			
Fair value gain on financial assets at fair value through other comprehensive income		33,917	20,143
<b>Other comprehensive income, that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of financial statements of overseas subsidiaries		<u>8,417</u>	<u>(2,152)</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>42,334</u>	<u>17,991</u>
<b>Total comprehensive income/(loss) for the year attributable to equity holders of the Company</b>		<u><u>73,601</u></u>	<u><u>(897)</u></u>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		31,872	(18,888)
Non-controlling interests		<u>(605)</u>	<u>–</u>
		<u><u>31,267</u></u>	<u><u>(18,888)</u></u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Owners of the Company		74,206	(897)
Non-controlling interests		<u>(605)</u>	<u>–</u>
		<u><u>73,601</u></u>	<u><u>(897)</u></u>
<b>Earnings/(loss) per share attributable to equity holders of the Company for the year</b>			
— Basic and diluted	8	<u><u>HK0.29 cent</u></u>	<u><u>HK(0.17) cent</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4,116	123
Goodwill		16,757	15,883
Loans receivable	9	1,799	2,036
Deposits paid		–	5
Financial assets at fair value through other comprehensive income		103,762	217,157
		<b>126,434</b>	<b>235,204</b>
<b>Current assets</b>			
Loans receivable	9	2,299	3,125
Trade receivables	10	766	2,293
Properties under development		145,127	112,503
Inventories		91	–
Financial assets at fair value through profit or loss		14,509	17,797
Deposits paid, prepayments and other receivables		27,166	21,982
Tax recoverable		733	716
Cash and bank balances		18,595	21,917
		<b>209,286</b>	<b>180,333</b>
<b>Current liabilities</b>			
Trade payables	11	–	1,566
Other payables and accrued expenses	12	102,966	125,460
Lease liability		–	42
Interest-bearing bank borrowing	13	–	3,000
Loan from a related company		3,858	3,553
Income tax payable		60	57
		<b>106,884</b>	<b>133,678</b>
<b>Net current assets</b>		<b>102,402</b>	<b>46,655</b>
<b>Total assets less current liabilities</b>		<b>228,836</b>	<b>281,859</b>
<b>Non-current liabilities</b>			
Loans from shareholders		117,276	245,500
<b>Net assets</b>		<b>111,560</b>	<b>36,359</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		111,785	111,785
Reserves		(1,220)	(75,426)
		<b>110,565</b>	<b>36,359</b>
Non-controlling interests		995	–
<b>Total equity</b>		<b>111,560</b>	<b>36,359</b>

Notes:

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and methods of computation used in the preparation of the 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”) as disclosed in note 1.1.

### 1.1 ADOPTION OF NEW OR REVISED HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2020:

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

Other than the amendments to HKFRS 3, none of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

#### Amendments to HKFRS 3 — Definition of a Business

The amendments clarify the definition of a business and introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election to apply the concentration test is made for each transaction. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business. If the concentration test is failed, the acquired set of activities and assets is further assessed based on the elements of a business.

The Group elected to apply the amendments prospectively to acquisitions for which the acquisition date is on or after 1 January 2020. The Group acquired a set of activities and assets during the year and elected to apply the concentration test to that transaction but the transaction failed the concentration test. Based on the assessment of elements of a business, the Group concluded that the acquired set of activities and assets is an asset.

## 2. REVENUE

Revenue derived from the Group's principal activities recognised during the years are as follows:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
— Sale of properties	–	17,284
— Rendering of services	<b>1,314</b>	622
— Sale of face masks	<b>2,459</b>	–
	<u>3,773</u>	<u>17,906</u>
Revenue from other sources		
— Interest income from loans receivable	<b>1,864</b>	1,116
	<u>5,637</u>	<u>19,022</u>

## 3. OTHER OPERATING INCOME AND GAINS, NET

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	7	692
Recovery of loans receivable, net	–	398
Government grant	<b>324</b>	–
Exchange gain, net	–	4,628
Sundry income	<b>44</b>	12
	<u>375</u>	<u>5,730</u>

## 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 sales of face masks and related products.

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

**For the year ended 31 December 2020**

	Financial services <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Face masks <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue:</b>				
Revenue from external customers	1,864	1,314	2,459	5,637
Other operating income and gains, net	38	12	–	50
	<u>1,902</u>	<u>1,326</u>	<u>2,459</u>	<u>5,687</u>
<b>Segment results</b>	<u>(483)</u>	<u>(7,216)</u>	<u>(1,513)</u>	<u>(9,212)</u>
Unallocated corporate income				325
Unallocated corporate expenses				(8,184)
Fair value loss on financial assets at fair value through profit or loss				(3,288)
Gain on disposal of financial assets at fair value through other comprehensive income				61,857
Unallocated finance costs				<u>(10,231)</u>
Profit before income tax				31,267
Income tax expense				–
Profit for the year				<u>31,267</u>

**For the year ended 31 December 2019**

	Financial services <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue:</b>			
Revenue from external customers	1,738	17,284	19,022
Other operating income and gains, net	410	6	416
	<u>2,148</u>	<u>17,290</u>	<u>19,438</u>
<b>Segment results</b>	<u>(210)</u>	<u>(3,954)</u>	<u>(4,164)</u>
Unallocated corporate income			5,314
Unallocated corporate expenses			(8,310)
Fair value loss on financial assets at fair value through profit or loss			(775)
Gain on disposal of financial assets at fair value through other comprehensive income			3,999
Unallocated finance costs			<u>(14,789)</u>
Loss before income tax			(18,725)
Income tax expense			(163)
Loss for the year			<u>(18,888)</u>

The Group's revenue by geographical areas are presented as followings:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue by geographical area		
Hong Kong	<b>4,323</b>	1,738
PRC	<b>1,314</b>	17,284
	<u><b>5,637</b></u>	<u>19,022</u>

None of the customers of the Group contributed more than 10% of the Group's revenue for the years ended 31 December 2020 and 2019.

#### 5. OPERATING PROFIT/(LOSS)

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Operating profit/(loss) is arrived at after charging/(crediting):		
Costs of inventories sold	<b>2,073</b>	–
Costs of service	<b>543</b>	–
Costs of properties included in cost of sales	–	15,103
Exchange gain, net	–	(4,628)
Depreciation on property, plant and equipment	<b>581</b>	154
Less: Depreciation charged to cost of sales	<b>(443)</b>	–
Depreciation charged to administrative expenses	<b>138</b>	154
Written off of property, plant and equipment	–	1
Impairment loss on properties under development, charged to other operating expenses	<b>5,767</b>	4,000
Impairment/(recovery) of loans receivable, net	<b>521</b>	(398)
Employee benefit expense (including directors' emoluments)	<b>4,833</b>	5,162
Defined contribution plans	<b>607</b>	289
Less: Employee benefit expense capitalised in properties under development	–	(388)
Employee benefit expense (including directors' emoluments) charged to administrative expenses	<b>5,440</b>	5,063
Operating leases rentals	<u><b>39</b></u>	<u>65</u>

## 6. INCOME TAX

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

The provision of Land Appreciation Tax ("LAT") for the year ended 31 December 2019 is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided, as appropriate, at ranges of progressive rates from 30% to 60% on the appreciation value, with certain allowable deductions including land costs, borrowing costs and the relevant property development expenditure.

The Group is required to prepay LAT in accordance with the relevant PRC tax rules in respect of pre-sale of property development projects. As at 31 December 2019, prepaid LAT of approximately HK\$105,000 relating to pre-sale of properties (formerly recorded as other receivables), has been presented as deduction against the tax payables of a respective subsidiary in the consolidated statement of financial position. During the year, no properties were sold by the Group and accordingly, no LAT is provided in the year.

## 7. DIVIDEND

No dividend was declared or paid during the year ended 31 December 2020 and 2019. The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 and 2019.

## 8. EARNINGS/(LOSS) PER SHARE

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) for the year attributable to equity holders of the Company, used in the basic earning per share ("EPSs") calculation	<u><b>31,872</b></u>	<u>(18,888)</u>
	<b>2020</b>	2019
Weighted average number of ordinary shares in issue during the year	<b>11,178,498,344</b>	11,178,498,344
Less: Weighted average number of shares held for share award scheme	<u><b>(169,163,118)</b></u>	<u>(169,163,118)</u>
Weighted average number of ordinary shares used in the basic EPSs calculation	<u><b>11,009,335,226</b></u>	<u>11,009,335,226</u>

For the year ended 31 December 2020, basic earning per share is the same as diluted earning per share.

No share option was granted during the years ended 31 December 2020 and 2019. The Company's share options have no dilution effect for the years ended 31 December 2020 and 2019 because the exercise price of the Company's share options were higher than the average market price of the share for the years.

## 9. LOANS RECEIVABLE

Loans receivable bear interest at rates determined on case by case basis and have credit periods mutually agreed between the contractual parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable and a credit control department has been established to monitor potential credit risk. Overdue balances are reviewed regularly by the senior management and are handled closely by the credit control department. The Group's loans receivable relate to a diversified portfolio of customers. As such, there is no significant concentration of credit risk.

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loans receivable	<b>13,359</b>	13,538
Less: provision for impairment loss	<b>(9,261)</b>	(8,377)
	<b>4,098</b>	5,161
Less: Non-current portion	<b>(1,799)</b>	(2,036)
Current portion	<b>2,299</b>	3,125

## 10. TRADE RECEIVABLES

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current to 90 days	–	2,288
Over 90 days	–	5
Over 365 days	<b>766</b>	–
	<b>766</b>	2,293

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

## 11. TRADE PAYABLES

The following is an ageing analysis of trade payables based on invoice date as at the reporting date:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Over 180 days	–	1,566

## 12. OTHER PAYABLES AND ACCRUED EXPENSES

As at 31 December 2020, other payables and accrued expenses included accrued interest expenses on the loans from shareholders of approximately HK\$61,380,000 (2019: HK\$118,925,000) in respect of the loans made available to the Group.

### 13. INTEREST-BEARING BANK BORROWING

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current		
Bank loan due for repayment which contains a repayment on demand clause — unsecured and guaranteed	—	3,000
	<u>          </u>	<u>          </u>

In 2019, the bank loan bears interest at floating rate of 2.5% per annum above the HIBOR, and is guaranteed by the Company. In 2020, the Company repaid all the bank loans with no outstanding balances.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

For the Year, the Group recorded revenue of approximately HK\$5.6 million, representing a decrease of approximately 70.5% comparing with that of approximately HK\$19.0 million in 2019. Such decrease in revenue was mainly due to no revenue from sale of property was recognized during the Year.

There was a profit attributable to the equity holders of the Company for the Year of approximately HK\$31.9 million (year ended 31 December 2019: loss of HK\$18.9 million) which was mainly due to gains from disposal of certain financial assets.

As at 31 December 2020, the net asset position of the Group amounted to approximately HK\$111.6 million (31 December 2019: HK\$36.4 million). During the year, the Group recorded gains from disposal of certain financial assets and made certain repayment on the shareholders' loans.

### **BUSINESS REVIEW**

The Group's main businesses are: (i) property development and property project management services 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 law of Hong Kong); and (iii) the sale of face masks and related products.

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

#### **(a) Property development**

During the Year, revenue attributed to the property development business was approximately HK\$1.3 million which was derived from the provision of comprehensive management services of a property project in Tianjin. No revenue from sale of property was recognized.

The following table shows the Group's property development projects as at 31 December 2020:

Project	Location	Type	Status as of 31 December 2020	Total gross floor area ( <i>Note</i> )
Phase 2 of Zhongjie Project	Cangzhou Zhongjie Industrial Park District	Residential property	The pre-sale certificate has been obtained in December 2020 and the first complex is expected to be completed by the end of 2021	Approximately 10,000 square meters
Huanghua Project	Huanghua New City	Commercial property	Under-planning	Approximately 100,000 square meters
Xiazhezhuang Project	Wuqing Xiazhezhuang 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 Year, the Group had revenue of approximately HK\$1.9 million (year ended 31 December 2019: approximately HK\$1.7 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 Year (year ended 31 December 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 Year, the Group had revenue of approximately HK\$1.9 million (year ended 31 December 2019: approximately HK\$1.1 million) in this business and the gross loan portfolio of the money lending business amounted to HK\$13.4 million as at 31 December 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) Sales of face masks and related products

The Group commenced its business in manufacturing and sales of face masks in the second quarter of 2020. During the Year, revenue from this segment amounted to approximately HK\$2.5 million with a segment loss of approximately HK\$1.5 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 31 December 2020 <i>HK\$'000</i>	Fair value gain (loss) during the Year <i>HK\$'000</i>
00413	SCHC		
	— Ordinary shares	46,370	(10,510)
	— RCPSs	71,901	41,139
		<u>118,271</u>	<u>30,629</u>

### SIGNIFICANT INVESTMENTS

The Group's investment portfolio consists of Ordinary Shares and Redeemable Convertible Preference Shares ("RCPSs") of SCHC, which are presented under financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in the consolidated statement of financial position respectively.

Listed below are the particulars of the Group's major significant investments:

### As at 31 December 2020

Name of stock listed on Stock Exchange	Stock code	Brief description of the business	Type of shares	Number of shares held as at 31 December 2020	Investment cost as at 31 December 2020 <i>HK\$'000</i>	Fair value as at 31 December 2020 <i>HK\$'000</i>	Total assets value of the Group as at 31 December 2020 <i>HK\$'000</i>	Percentage to total assets value of the Group as at 31 December 2020
South China Holdings Company Limited	413	Trading and manufacturing, property investment and development and agriculture and forestry	Ordinary shares	309,129,996* (represented 2.3% of SCHC issued ordinary shares)	3,516	46,370	335,720	13.8%
			RCPSs	117,350,631 (represented 100% of SCHC issued RCPSs)	93,881	71,901	335,720	21.4%

During the year ended 31 December 2020, the audited comprehensive income attributable to owners of the Company from the net fair value change recognized for the Group's significant investments as listed above amounted to approximately HK\$30.6 million.

### As at 31 December 2019

Name of stock listed on Stock Exchange	Stock code	Brief description of the business	Type of shares	Number of shares held as at 31 December 2019	Investment cost as at 31 December 2019 <i>HK\$'000</i>	Fair value as at 31 December 2019 <i>HK\$'000</i>	Total assets value of the Group as at 31 December 2019 <i>HK\$'000</i>	Percentage to total assets value of the Group as at 31 December 2019
South China Holdings Company Limited	413	Trading and manufacturing, property investment and development and agriculture and forestry	Ordinary shares	309,129,996* (represented 2.3% of SCHC issued ordinary shares)	3,516	56,880	415,537	13.7%
			RCPSs	378,813,131 (represented 100% of SCHC issued RCPSs)	303,051	178,074**	415,537	42.9%

During the year ended 31 December 2019, the audited comprehensive income attributable to owners of the Company from the net fair value change recognized for the Group's significant investments as listed above amounted to approximately HK\$19.4 million.

\* The shares mainly include bonus shares proposed by SCHC on 23 December 2016 and received by the Company on 10 January 2017.

\*\* The fair values of the RCPSs as at 31 December 2019 and 31 December 2020 were determined by the directors of the Company with reference to the valuation report dated 17 March 2020 and 15 March 2021 prepared by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group.

## 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 by providing property project management services and diversifying into new 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 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 has been taken place since 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 since October 2020 and the construction works are expected to be commenced in about the second half of 2021 and to be completed by the end of 2023.

#### *Xiazhuzhuang Project*

The project has two development phases which consists of industrial complexes and ancillary offices. The planning work of phase one is expected to be commenced in the second half of 2021.

#### *Property Project Management*

The Group has been engaged in providing management services to 2 property development projects in Tianjin and Nanjing.

**(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 established a new business 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 2021, the global market will continue being shadowed by economic, political and public health risks, including the US-Sino trade war 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 are always available. 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.

## **UPDATE ON THE LISTING STATUS**

Reference is made to the announcements of the Company dated 3 April 2020, 15 April 2020, 24 September 2020, 29 September 2020, 27 January 2021 and 29 January 2021.

On 27 January 2021, the Company received a letter from the GEM Listing Review Committee that they had decided to uphold the decision made by the GEM Listing Committee to suspend trading in the Company's shares (the "Shares") under GEM Listing Rule 9.04 on the ground that the Company had failed to comply with GEM Listing Rule 17.26. At the request of the Company, trading in the Shares has been suspended with effect on 28 January 2021 and will continue to be suspended until further notice.

On 28 January 2021, the Company received a letter from the Stock Exchange setting out the resumption guidance for the resumption of trading in the Shares to demonstrate that the Company is in compliance with GEM Listing Rule 17.26.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the applicable code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2020 except that Ms. Ng Yuk Mui Jessica, an Executive Director and the Vice Executive Chairman 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 as they had other business engagements, which deviated from code provision A.6.7 of the CG Code.

## **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 Year.

## **AUDIT COMMITTEE**

The Board has established an Audit Committee with written terms of reference that complies with the CG Code, which has been published on the respective websites of the Stock Exchange and the Company. The Audit Committee currently consists of (i) 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 (ii) a Non-executive Director, namely Mr. Ng Yuk Yeung Paul.

The Group's annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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, 16 March 2021

*As at the date of this announcement, 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.*

*This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication and on the website of the Company at [www.scassets.com](http://www.scassets.com).*