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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### 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 2021 together with the relevant comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	2	8,913	2,487	16,017	3,049
Cost of sales		(4,097)	(1,335)	(7,891)	(1,335)
Other operating income	3	46	18	48	169
Selling and distribution costs		(12)	–	(113)	–
Fair value loss on financial assets at fair value through profit or loss		(870)	(2,032)	(3,869)	(5,320)
Gain on disposal of financial assets		202	2,575	202	2,960
Administrative and other operating expenses		(1,021)	(3,909)	(3,007)	(5,653)
Operating profit/(loss)	5	3,161	(2,196)	1,387	(6,130)
Finance costs	6	(1,483)	(3,135)	(2,996)	(6,284)
Profit/(Loss) before income tax		1,678	(5,331)	(1,609)	(12,414)
Income tax expense	7	–	–	–	–
<b>Profit/(Loss) for the period</b>		<b>1,678</b>	<b>(5,331)</b>	<b>(1,609)</b>	<b>(12,414)</b>
<b>Attributable to:</b>					
Equity holders of the Company		1,542	(5,197)	(1,611)	(12,280)
Non-controlling interests		136	(134)	2	(134)
		<b>1,678</b>	<b>(5,331)</b>	<b>(1,609)</b>	<b>(12,414)</b>
<b>Earning/(loss) per share</b>					
Basic and diluted	9	<b>HK0.01 cent</b>	HK(0.05) cent	<b>HK(0.01) cent</b>	HK(0.11) cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(Loss) for the period</b>	<u>1,678</u>	<u>(5,331)</u>	<u>(1,609)</u>	<u>(12,414)</u>
<b>Other comprehensive income for the period</b>				
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	(792)	5,883	(5,500)	(10,596)
Exchange differences on translation of financial statements of overseas subsidiaries	<u>1,966</u>	<u>(3,462)</u>	<u>1,075</u>	<u>(3,635)</u>
<b>Other comprehensive income/ (loss)</b>	<u>1,174</u>	<u>2,421</u>	<u>(4,425)</u>	<u>(14,231)</u>
<b>Total comprehensive income/ (loss) for the period</b>	<u><u>2,852</u></u>	<u><u>(2,910)</u></u>	<u><u>(6,034)</u></u>	<u><u>(26,645)</u></u>
<b>Total comprehensive income/ (loss) attributable to:</b>				
Equity holders of the Company	2,716	(2,776)	(6,036)	(26,511)
Non-controlling interests	<u>136</u>	<u>(134)</u>	<u>2</u>	<u>(134)</u>
	<u><u>2,852</u></u>	<u><u>(2,910)</u></u>	<u><u>(6,034)</u></u>	<u><u>(26,645)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2021</b>	As at 31 December 2020
	<i>Notes</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,696	4,116
Goodwill		16,895	16,757
Loans receivable	10	1,715	1,799
Financial assets at fair value through other comprehensive income		97,465	103,762
		<b>119,771</b>	126,434
<b>Current assets</b>			
Loans receivable	10	1,772	2,299
Trade receivables	11	1,977	766
Properties under development		147,187	145,127
Inventories		145	91
Financial assets at fair value through profit or loss		10,640	14,509
Deposits paid, prepayments and other receivables		31,839	27,166
Tax recoverable		736	733
Restricted bank balances		3,106	–
Cash and bank balances		18,242	18,595
		<b>215,644</b>	209,286
<b>Current liabilities</b>			
Other payables and accrued expenses	12	105,132	102,966
Contract liabilities	13	3,467	–
Loan from a related company		3,954	3,858
Income tax payable		60	60
		<b>112,613</b>	106,884
<b>Net current assets</b>		<b>103,031</b>	102,402
<b>Total assets less current liabilities</b>		<b>222,802</b>	228,836
<b>Non-current liabilities</b>			
Loans from shareholders		117,276	117,276
<b>Net assets</b>		<b>105,526</b>	111,560
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital		111,785	111,785
Reserves		(7,256)	(1,220)
		<b>104,529</b>	110,565
Non-controlling interests		997	995
<b>Total equity</b>		<b>105,526</b>	111,560

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Treasury shares <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Financial assets revaluation reserve <i>HK\$'000</i>	Employee compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Non- Controlling Interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 31 December 2020 and 1 January 2021 (audited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(7,967)</u>	<u>23,848</u>	<u>4,762</u>	<u>(7,716)</u>	<u>995</u>	<u>111,560</u>
<b>Transfer between reserves</b>									
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	<u>391</u>	-	-	<u>(391)</u>	-	-
<b>Comprehensive income</b>									
Loss for the period	-	-	-	-	-	-	<u>(1,611)</u>	<u>2</u>	<u>(1,609)</u>
<b>Other comprehensive income</b>									
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	<u>(5,500)</u>	-	-	-	-	<u>(5,500)</u>
Exchange realignment	-	-	-	-	-	<u>1,075</u>	-	-	<u>1,075</u>
Total comprehensive loss for the period	-	-	-	<u>(5,500)</u>	-	<u>1,075</u>	<u>(1,611)</u>	<u>2</u>	<u>(6,034)</u>
<b>At 30 June 2021 (unaudited)</b>	<u><u>111,785</u></u>	<u><u>(20,191)</u></u>	<u><u>6,044</u></u>	<u><u>(13,076)</u></u>	<u><u>23,848</u></u>	<u><u>5,837</u></u>	<u><u>(9,718)</u></u>	<u><u>997</u></u>	<u><u>105,526</u></u>
	Share capital <i>HK\$'000</i>	Treasury shares <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Financial assets revaluation reserve <i>HK\$'000</i>	Employee compensation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Non- Controlling Interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 31 December 2019 and 1 January 2020 (audited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(142,933)</u>	<u>23,848</u>	<u>(3,655)</u>	<u>61,461</u>	<u>-</u>	<u>36,359</u>
<b>Transfer between reserves</b>									
Release of reserve upon disposal of financial assets	-	-	-	<u>4,304</u>	-	-	<u>(4,304)</u>	-	-
<b>Comprehensive income</b>									
Loss for the period	-	-	-	-	-	-	<u>(12,280)</u>	<u>(134)</u>	<u>(12,414)</u>
<b>Other comprehensive income</b>									
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	<u>(10,596)</u>	-	-	-	-	<u>(10,596)</u>
Exchange realignment	-	-	-	-	-	<u>(3,635)</u>	-	-	<u>(3,635)</u>
Total comprehensive loss for the period	-	-	-	<u>(10,596)</u>	-	<u>(3,635)</u>	<u>(12,280)</u>	<u>(134)</u>	<u>(26,645)</u>
Non-controlling interest in a subsidiary	-	-	-	-	-	-	-	<u>1,600</u>	<u>1,600</u>
<b>At 30 June 2020 (unaudited)</b>	<u><u>111,785</u></u>	<u><u>(20,191)</u></u>	<u><u>6,044</u></u>	<u><u>(149,225)</u></u>	<u><u>23,848</u></u>	<u><u>(7,290)</u></u>	<u><u>44,877</u></u>	<u><u>1,466</u></u>	<u><u>11,314</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash generated from operating activities	<b>1,926</b>	3,121
Net cash generated from investing activities	<b>961</b>	3,516
Net cash used in financing activities	<b>(111)</b>	(7,284)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>2,776</b>	(647)
Cash and cash equivalents, beginning of the period	<b>18,595</b>	21,917
Effect of foreign exchange rate changes	<b>(23)</b>	(174)
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	<b>21,348</b>	21,096
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the cash and cash equivalents		
Cash and bank balances	<b>21,348</b>	21,096
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

**1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 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 2020 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 2021, as disclosed in the annual financial statements for the year ended 31 December 2020.

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 2021 for the preparation of the Group’s condensed consolidated financial statements:

- Amendment to HKFRS 16 Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest rate benchmark reform — phase 2

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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from contracts with customers		
— Rendering of project management services	<b>14,014</b>	—
— Rendering of investment advisory services	<b>6</b>	—
— Sale of face masks and related products	<b>1,496</b>	1,939
	<b>15,516</b>	1,939
Revenue from other sources		
— Interest income from loans receivable	<b>501</b>	1,110
	<b>16,017</b>	3,049

**3. OTHER OPERATING INCOME**

During the three months and six months ended 30 June 2021 and 2020, other operating income mainly represents government subsidy 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 property development segment which is engaged in property development and project management business in the People's Republic of China ("PRC"); and
- (b) the financial services segment which is engaged in provision of investment advisory and asset management services and money lending business; 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.

The following tables present revenue and loss for the Group's operating segments for the six months ended 30 June 2021 and 30 June 2020:

##### For the six months ended 30 June 2021

	<b>Financial Services HK\$'000 (Unaudited)</b>	<b>Property Development HK\$'000 (Unaudited)</b>	<b>Face mask HK\$'000 (Unaudited)</b>	<b>Consolidated HK\$'000 (Unaudited)</b>
<b>Segment revenue:</b>				
Revenue from external customers	<u>507</u>	<u>14,014</u>	<u>1,496</u>	<u>16,017</u>
<b>Segment results</b>	<u>188</u>	<u>6,420</u>	<u>4</u>	6,612
Unallocated corporate income				41
Unallocated corporate expenses				(1,774)
Fair value loss on financial assets at fair value through profit or loss				(3,869)
Gain on disposal of financial assets				202
Unallocated finance costs				<u>(2,821)</u>
Loss before income tax				(1,609)
Income tax expense				<u>-</u>
Loss for the period				<u>(1,609)</u>

#### 4. SEGMENT INFORMATION (CONTINUED)

For the six months ended 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)
<b>Segment revenue:</b>				
Revenue from external customers	1,110	–	1,939	3,049
<b>Segment results</b>	<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>

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

**As at 30 June 2021**

	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)
<b>Segment assets</b>	<b>16,183</b>	<b>174,321</b>	<b>7,187</b>	<b>197,691</b>
Financial assets at fair value through other comprehensive income				<b>97,465</b>
Financial assets at fair value through profit or loss				<b>10,640</b>
Other corporate assets				<u><b>29,619</b></u>
<b>Total assets</b>				<u><b>335,415</b></u>
<b>Segment liabilities</b>	<b>2,913</b>	<b>38,201</b>	<b>7,063</b>	<b>48,177</b>
Loans from shareholders				<b>117,276</b>
Other corporate liabilities				<u><b>64,436</b></u>
<b>Total liabilities</b>				<u><b>229,889</b></u>



#### 4. SEGMENT INFORMATION (CONTINUED)

As at 31 December 2020

	Financial Services <i>HK\$'000</i> (Audited)	Property Development <i>HK\$'000</i> (Audited)	Face mask <i>HK\$'000</i> (Audited)	Consolidated <i>HK\$'000</i> (Audited)
<b>Segment assets</b>	18,283	162,805	5,522	186,610
Financial assets at fair value through other comprehensive income				103,762
Financial assets at fair value through profit or loss				14,509
Other corporate assets				<u>30,839</u>
<b>Total assets</b>				<u><u>335,720</u></u>
<b>Segment liabilities</b>	2,507	33,625	5,402	41,534
Loans from shareholders				117,276
Other corporate liabilities				<u>65,350</u>
<b>Total liabilities</b>				<u><u>224,160</u></u>

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

	<b>Six months ended 30 June</b>	
	<b>2021</b> <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Revenue by geographical area		
Hong Kong	<b>2,003</b>	3,049
PRC	<b>14,014</b>	–
	<u><b>16,017</b></u>	<u>3,049</u>

## 5. OPERATING PROFIT/(LOSS)

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating profit/(loss) is arrived at after charging/(crediting):		
Costs of inventories sold	1,278	1,335
Costs of service	6,613	–
Depreciation on property, plant and equipment	463	13
Less: Depreciation charged to cost of sales	(451)	–
Depreciation charged to administrative expenses	12	13
(Recovery)/impairment of loans receivable, net	(150)	193
Employee benefit expense (including directors' emoluments)	842	1,493
Defined contribution plans	94	104
Employee benefit expense (including directors' emoluments) charged to administrative expenses	936	1,597
Operating leases rentals	169	971

## 6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest charged on bank borrowing	–	61
Interest charged on loan from a related company	175	206
Interest charged on loans from shareholders	2,821	6,017
	2,996	6,284

## 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 for the period ended 30 June 2021 and 2020.

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 2021 and 2020.

## 8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 9. EARNING/(LOSS) PER SHARE

The calculation of the basic earning/(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	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Profit/(loss) attributable to the equity holders of the Company used in the basic earning/(loss) per share calculation	<u>1,542</u>	<u>(5,197)</u>	<u>(1,611)</u>	<u>(12,280)</u>
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (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 earning/(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 earning/(loss) per share for the three and six months ended 30 June 2021 and 30 June 2020 were the same as the basic earning/(loss) per share. The Company's share options have no dilution effect for the three months and six months ended 30 June 2021 and 30 June 2020 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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Loans receivable	12,942	13,359
Less: provision for impairment loss	<u>(9,455)</u>	<u>(9,261)</u>
	3,487	4,098
Less: Non-current portion	<u>(1,715)</u>	<u>(1,799)</u>
Current portion	<u>1,772</u>	<u>2,299</u>

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

## 10. LOANS RECEIVABLE (CONTINUED)

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:

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
Repayable:		
On demand	–	107
Within 3 months	<b>1,102</b>	863
3 months to 1 year	<b>670</b>	1,329
1 to 5 years	<b>1,715</b>	1,799
	<u><b>3,487</b></u>	<u>4,098</u>

## 11. TRADE RECEIVABLES

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
Trade receivables	<u><b>1,977</b></u>	<u>766</u>

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

	<b>As at 30 June 2021 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2020 HK\$'000 (Audited)</b>
Current to 90 days	<b>1,205</b>	–
Over 365 days	<u><b>772</b></u>	<u>766</u>
	<u><b>1,977</b></u>	<u>766</u>

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

## **12. OTHER PAYABLES AND ACCRUED EXPENSES**

As at 30 June 2021, other payables, accrued expenses and receipts in advance mainly included accrued interest expenses on the loans from shareholders of HK\$64,201,000 (As at 31 December 2020: HK\$61,380,000) 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 2020: 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 2020.

## **13. CONTRACT LIABILITIES**

As at 30 June 2021, contract liabilities of HK\$3,467,000 (As at 31 December 2020: HK\$Nil) represented the pre-sale deposit received from Phase 2 of Zhongjie Project.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

For the six months period ended 30 June 2021 (the “Period”), the Group recorded revenue of approximately HK\$16 million, representing an increase of over 5 times comparing with that of approximately HK\$3 million in 2020. Such increase in revenue was mainly due to property project management services in property development.

There was a loss attributable to the equity holders of the Company for the Period of approximately HK\$1.6 million (period ended 30 June 2020: loss of HK\$12.3 million). The reduction of HK\$10.7 million loss was mainly due to operating profit from property project management services in property development and less finance costs incurred.

As at 30 June 2021, the net asset position of the Group amounted to approximately HK\$105.5 million (31 December 2020: HK\$111.6 million).

### BUSINESS REVIEW

The Group’s main businesses are: (i) property development (including property project management services); (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 Period is as follows:

#### (a) Property development

During the Period, revenue attributed to the property development business was approximately HK\$14.0 million which was derived from the provision of project management services for property projects.

The following table shows the Group’s property development projects as at 30 June 2021:

Project	Location	Type	Status as of 30 June 2021	Total gross floor area (Note)
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

Project	Location	Type	Status as of 30 June 2021	Total gross floor area (Note)
Xiazhuzhuang Project	Wuqing Xiazhuzhuang Street	Industrial property	Under-planning	Approximately 50,000 square meters

*Note:* Total gross floor area is calculated based on the Group's development plans, which may be subject to change.

No revenue from sale of property was recognized.

## **(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\$507,000 (period ended 30 June 2020: approximately HK\$1.1 million) in this segment due to continuous poor market sentiment attributable to COVID-19.

The Group 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\$501,000 (period ended 30 June 2020: approximately HK\$1.1 million) in this business and the gross loan portfolio of the money lending business amounted to HK\$12.9 million as at 30 June 2021. 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 2020. During the Period, revenue from this segment amounted to approximately HK\$1.5 million with a segment gain of approximately HK\$4,000.

## 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	Fair value
		value as at 30 June 2021 <i>HK\$'000</i>	loss during the Period <i>HK\$'000</i>
00413	SCHC		
	— Ordinary shares	34,005	(2,782)
	— RCPSs	74,100	(6,587)
		<u>108,105</u>	<u>(9,369)</u>

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have any material acquisition or disposal during the six months ended 30 June 2021.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND 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 June 2021, 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 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*

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 residential premises of the first complex has been taken place since December 2020 and approximately 31% has been sold.



### *Huanghua Project*

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 subject to all necessary approvals by the governing authorities.

### *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 two property development projects, and has recently secured a number of new contracts in various short-term projects. The Group will continuously strive to source and conclude new contracts (both long-term and short-term) for widening its operation scale and in turn driving up higher revenue and operating profits. It is expected that property project management will be the main stream of revenue of the Group in the next 12 to 18 months given (i) all fees received from provision of services are promptly recognized but not the sales proceeds traditionally generated from property projects, which would only be recognized as revenue upon completion of transfer of ownership of the sales units as per the prevailing accounting standards; and (ii) the property projects of the Group would take at least 12 to 18 months to develop and then sell.

## **(b) Financial services business**

Given consumers placed more weight on long-term investment products which would generate steady return for further safeguarding their retirement apart from mandatory provident fund schemes, the Group has focused its resources in sourcing, identifying and confirming experienced personnel in such common wealth management products as funds, bonds and insurance for building up respective professional teams for achieving business targets in wealth management business.

An earmark of provision of wealth management services, the Group has recently finalized the major terms and conditions in respect of co-brokerage business with an international insurance brokerage company, and a contract will be signed in due course. Notwithstanding the discontinued discussions with a prospective client in respect of the engagement in regulated activities under the Securities and Futures Ordinance, the Group is actively sourcing any other clients or business partners to widen the operation scope in regulated activities.

In addition to wealth management business, the Group will keep planning and carrying out different strategies to strive its internet securities brokerage business in the competitive market.

**(c) Face mask business**

Lower revenue and profit are mainly attributable to price-competition in the market and price-control measures adopted by some governments in Europe. Given the surge of Delta variant, it is expected that the demand for face mask would sustain for a period, and the Group will keep closely monitoring the market for taking appropriate reactions for improving revenue and profitability in this segment.

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, 29 January 2021, 27 April 2021 and 27 July 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 of Hong Kong Limited (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.

On 27 April 2021 and 27 July 2021, the Company provided updates on the development of the Group in respect of resumption of trading of the Shares.

**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 2021.

## **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 2021.

## **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 2021 except that Mr. Ng Hung Sang, an Executive Director and the Chairman of the Board of the Company, Mr. Ng Yuk Yeung Paul, a Non-executive Director of the Company and Mr. Cheng Hong Kei, the Independent Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 22 June 2021, which deviated from code provisions E.1.2 and A.6.7 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 2021 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.

## **CONTINUED SUSPENSION OF TRADING**

At the request of the Company, trading in the Shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 28 January 2021 and will continue to be suspended until further notice. Further announcement(s) in respect of the progress of resumption of trading of the Shares will be made by the Company as and when appropriate and in accordance with the requirements of the GEM Listing Rules.

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 August 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 of the Company 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 of the Company, 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 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).*