



SOUTH CHINA ASSETS HOLDINGS LIMITED

南華資產控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 08155)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

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

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

INTERIM RESULTS

The board of directors (the “Board”) of South China Assets Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 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	-	-	-	-
Profit/(Loss) for the period		<u>1,678</u>	<u>(5,331)</u>	<u>(1,609)</u>	<u>(12,414)</u>
Attributable to:					
Equity holders of the Company		1,542	(5,197)	(1,611)	(12,280)
Non-controlling interests		136	(134)	2	(134)
		<u>1,678</u>	<u>(5,331)</u>	<u>(1,609)</u>	<u>(12,414)</u>
Earning/(loss) per share					
Basic and diluted	9	<u>HK0.01 cent</u>	HK(0.05) cent	<u>HK(0.01) cent</u>	HK(0.11) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(Loss) for the period	1,678	(5,331)	(1,609)	(12,414)
Other comprehensive income for the period				
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	1,966	(3,462)	1,075	(3,635)
Other comprehensive income/(loss)	1,174	2,421	(4,425)	(14,231)
Total comprehensive income/(loss) for the period	2,852	(2,910)	(6,034)	(26,645)
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company	2,716	(2,776)	(6,036)	(26,511)
Non-controlling interests	136	(134)	2	(134)
	2,852	(2,910)	(6,034)	(26,645)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,696	4,116
Goodwill		16,895	16,757
Loans receivable	<i>10</i>	1,715	1,799
Financial assets at fair value through other comprehensive income		97,465	103,762
		119,771	126,434
Current assets			
Loans receivable	<i>10</i>	1,772	2,299
Trade receivables	<i>11</i>	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
		215,644	209,286
Current liabilities			
Other payables and accrued expenses	<i>12</i>	105,132	102,966
Contract liabilities	<i>13</i>	3,467	–
Loan from a related company		3,954	3,858
Income tax payable		60	60
		112,613	106,884
Net current assets		103,031	102,402
Total assets less current liabilities		222,802	228,836
Non-current liabilities			
Loans from shareholders		117,276	117,276
Net assets		105,526	111,560
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		111,785	111,785
Reserves		(7,256)	(1,220)
		104,529	110,565
Non-controlling interests		997	995
Total equity		105,526	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>
At 31 December 2020 and 1 January 2021 (audited)	<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>
Transfer between reserves									
Release of reserve upon disposal of financial assets at fair value through other comprehensive income	-	-	-	391	-	-	(391)	-	-
Comprehensive income									
Loss for the period	-	-	-	-	-	-	(1,611)	2	(1,609)
Other comprehensive income									
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	(5,500)	-	-	-	-	(5,500)
Exchange realignment	-	-	-	-	-	1,075	-	-	1,075
Total comprehensive loss for the period	-	-	-	(5,500)	-	1,075	(1,611)	2	(6,034)
At 30 June 2021 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(13,076)</u>	<u>23,848</u>	<u>5,837</u>	<u>(9,718)</u>	<u>997</u>	<u>105,526</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>
At 31 December 2019 and 1 January 2020 (audited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(142,933)</u>	<u>23,848</u>	<u>(3,655)</u>	<u>61,461</u>	<u>-</u>	<u>36,359</u>
Transfer between reserves									
Release of reserve upon disposal of financial assets	-	-	-	4,304	-	-	(4,304)	-	-
Comprehensive income									
Loss for the period	-	-	-	-	-	-	(12,280)	(134)	(12,414)
Other comprehensive income									
Changes in fair value of financial assets at fair value through other comprehensive income	-	-	-	(10,596)	-	-	-	-	(10,596)
Exchange realignment	-	-	-	-	-	(3,635)	-	-	(3,635)
Total comprehensive loss for the period	-	-	-	(10,596)	-	(3,635)	(12,280)	(134)	(26,645)
Non-controlling interest in a subsidiary	-	-	-	-	-	-	-	1,600	1,600
At 30 June 2020 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(149,225)</u>	<u>23,848</u>	<u>(7,290)</u>	<u>44,877</u>	<u>1,466</u>	<u>11,314</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**Six months ended 30 June**

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

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:

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

	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>507</u>	<u>14,014</u>	<u>1,496</u>	<u>16,017</u>
Segment results	<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)
Segment revenue:				
Revenue from external customers	<u>1,110</u>	<u>–</u>	<u>1,939</u>	<u>3,049</u>
Segment results	<u>(272)</u>	<u>(982)</u>	<u>(201)</u>	(1,455)
Unallocated corporate expenses				(2,582)
Fair value loss on financial assets at fair value through profit or loss				(5,320)
Gain on disposal of financial assets				2,960
Unallocated finance costs				<u>(6,017)</u>
Loss before income tax				(12,414)
Income tax expense				<u>–</u>
Loss for the period				<u>(12,414)</u>

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)
Segment assets	16,183	174,321	7,187	197,691
Financial assets at fair value through other comprehensive income				97,465
Financial assets at fair value through profit or loss				10,640
Other corporate assets				<u>29,619</u>
Total assets				<u>335,415</u>
Segment liabilities	2,913	38,201	7,063	48,177
Loans from shareholders				117,276
Other corporate liabilities				<u>64,436</u>
Total liabilities				<u>229,889</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)
Segment assets	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>
Total assets				<u><u>335,720</u></u>
Segment liabilities	2,507	33,625	5,402	41,534
Loans from shareholders				117,276
Other corporate liabilities				<u>65,350</u>
Total liabilities				<u><u>224,160</u></u>

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

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

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

11. TRADE RECEIVABLES

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

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

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

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

As at 30 June 2021, the interests and short positions of the directors of the Company (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

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

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

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

(ii) Long positions in underlying Shares

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of total interests to total issued Shares <i>(Note (c))</i>
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 Eartrade Investments Limited ("Eartrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via South China Holdings Company Limited ("SCHC"). Bannock was a wholly-owned subsidiary of Eartrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. SCHC was owned as to approximately to 61.22% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Eartrade.
- (b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the "Share Option Scheme"). For more details, please refer to the section headed "Share Option Scheme".
- (c) As at 30 June 2021, there were 11,178,498,344 Shares in issue.

Apart from the foregoing, none of the Directors or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 30 June 2021.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, so far as is known to the Directors, supervisors and chief executives of the Company, the persons (other than Directors, supervisors or chief executives of the Company) who have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follow:

Long positions in Shares

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

Notes:

- (a) Bannock is a wholly-owned subsidiary of Earntrade. Earntrade was deemed to have interest in the Shares held by Bannock.
- (b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in the above.
- (c) As at 30 June 2021, there were 11,178,498,344 Shares in issue.

Save as disclosed above, as at 30 June 2021 and so far as is known to the Directors, supervisors and chief executive of the Company, no other person had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted the employee's share award scheme (the "Share Award Scheme") whereby the Company may grant share awards to selected employees in recognition of their contributions to the Group, and as incentive to retain them to support the operations and ongoing development of the Group and attract suitable personnel for the Group's further development. Pursuant to the terms and conditions of the Share Award Scheme, the Company shall settle a sum up to HK\$50 million for the purchase of shares in the Company and/or SCHC from the market. Such shares shall form part of the capital of the trust fund set up for the Share Award Scheme. The Board may, from time to time, select employees for participation in the Share Award Scheme and cause to be paid an amount to the trustee from the Company'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 shares options granted under the Scheme is unlisted. Particulars and movements of the outstanding share options granted under the Share Option Scheme during the six months ended 30 June 2021 were as follows:

Name or category of participant	Number of share options					Balance as at 30/06/2021	Date of grant of share options (DD/MM/YYYY)	Exercisable period of share options (Note i)	Price of shares		
	Balance as at 01/01/2021	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	139,736,000	-	-	-	-	139,736,000					
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	55,896,000	-	-	-	-	55,896,000					
Total	195,632,000	-	-	-	-	195,632,000					

SHARE OPTION SCHEME (Continued)

Notes:

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

From the date of grant of share options	Exercisable percentage
Within 36 months	Nil
37th–48th months	30%
49th–60th months	60%
61st–120th months	100%

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

- (iii) The weight average closing price of the shares immediately before the date on which the options are exercised.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are substantial shareholders of a controlled corporation of Mr. Ng, together with his associates, holds approximately 61.22% interests in SCHC and Mr. Ng holds approximately 29.36% interests in SCF.

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

The Group seeks to undertake property development projects in small to medium size as well as the property project management services which are expanded scope of property development 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.

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.

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 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.