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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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021

QUARTERLY RESULTS

The board of directors (the “Board”) of South China Assets Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and nine months ended 30 September 2021 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	2	8,285	703	24,302	3,752
Cost of sales		(4,379)	(579)	(12,270)	(1,914)
Other operating income	3	12	173	60	342
Selling and distribution costs		(359)	–	(472)	–
Fair value (loss)/gain on financial assets at fair value through profit or loss		(1,161)	1,935	(5,030)	(3,385)
Gain on disposal of financial assets		982	58,686	1,184	61,646
Administrative and other operating expenses		(2,185)	(1,726)	(5,192)	(7,379)
Operating profit		1,195	59,192	2,582	53,062
Finance costs		(1,436)	(2,894)	(4,432)	(9,178)
(Loss)/profit before income tax		(241)	56,298	(1,850)	43,884
Income tax expense	5	–	–	–	–
(Loss)/profit for the period		(241)	56,298	(1,850)	43,884
(Loss)/profit attributable to:					
Equity holders of the Company		(122)	56,404	(1,733)	44,124
Non-controlling interests		(119)	(106)	(117)	(240)
		(241)	56,298	(1,850)	43,884
(Loss)/earnings per share					
Basic and diluted	7	HK(0.01) cent	HK0.51 cent	HK(0.02) cent	HK0.40 cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	<u>(241)</u>	<u>56,298</u>	<u>(1,850)</u>	<u>43,884</u>
Other comprehensive income, that will not be reclassified subsequently to profit or loss				
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	(2,386)	39,215	(7,886)	28,619
Other comprehensive income, that may be reclassified subsequently to profit or loss				
Exchange differences on translation of financial statements of overseas subsidiaries	<u>16</u>	<u>6,816</u>	<u>1,091</u>	<u>3,181</u>
Other comprehensive (loss)/income for the period	<u>(2,370)</u>	<u>46,031</u>	<u>(6,795)</u>	<u>31,800</u>
Total comprehensive (loss)/income for the period	<u><u>(2,611)</u></u>	<u><u>102,329</u></u>	<u><u>(8,645)</u></u>	<u><u>75,684</u></u>
Total comprehensive (loss)/income attributable to:				
Equity holders of the Company	(2,492)	102,435	(8,528)	75,924
Non-controlling interests	<u>(119)</u>	<u>(106)</u>	<u>(117)</u>	<u>(240)</u>
	<u><u>(2,611)</u></u>	<u><u>102,329</u></u>	<u><u>(8,645)</u></u>	<u><u>75,684</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	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)	111,785	(20,191)	6,044	(142,933)	23,848	(3,655)	61,461	-	36,359
Transfer between reserves									
Release of reserve upon disposal of financial assets	-	-	-	100,839	-	-	(100,839)	-	-
Comprehensive income									
Profit for the period	-	-	-	-	-	-	44,124	(240)	43,884
Other comprehensive income									
Changes in fair value of financial assets	-	-	-	28,619	-	-	-	-	28,619
Exchange realignment	-	-	-	-	-	3,181	-	-	3,181
Total comprehensive income for the period	-	-	-	28,619	-	3,181	44,124	(240)	75,684
Non-controlling interest in a subsidiary	-	-	-	-	-	-	-	1,600	1,600
At 30 September 2020 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(13,475)</u>	<u>23,848</u>	<u>(474)</u>	<u>4,746</u>	<u>1,360</u>	<u>113,643</u>
	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)	111,785	(20,191)	6,044	(7,967)	23,848	4,762	(7,716)	995	111,560
Transfer between reserves									
Release of reserve upon disposal of financial assets	-	-	-	2,290	-	-	(2,290)	-	-
Comprehensive income									
Loss for the period	-	-	-	-	-	-	(1,733)	(117)	(1,850)
Other comprehensive income									
Changes in fair value of financial assets	-	-	-	(7,886)	-	-	-	-	(7,886)
Exchange realignment	-	-	-	-	-	1,091	-	-	1,091
Total comprehensive loss for the period	-	-	-	(7,886)	-	1,091	(1,733)	(117)	(8,645)
At 30 September 2021 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(13,563)</u>	<u>23,848</u>	<u>5,853</u>	<u>(11,739)</u>	<u>878</u>	<u>102,915</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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 (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 quarterly period, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 4, HKFRS 7 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:

	Three months ended		Nine months ended	
	30 September 2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Unaudited)	30 September 2021 HK\$’000 (Unaudited)	2020 HK\$’000 (Unaudited)
Revenue from contracts with customers				
— Rendering of project management services	8,062	—	22,076	—
— Rendering of investment advisory services	3	—	9	—
— Rendering of insurance brokerage services	3	—	3	—
— Sale of face masks and related products	32	333	1,528	2,272
	8,100	333	23,616	2,272
Revenue from other sources				
— Interest income from loans receivable	185	370	686	1,480
	8,285	703	24,302	3,752

3. OTHER OPERATING INCOME

During the three months and nine months ended 30 September 2021, other operating income mainly represents government subsidy and bank interest income.

During the three months and nine months ended 30 September 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;
- (b) the financial services segment which is engaged in provision of investment advisory and asset management services, insurance brokerage 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 nine months ended 30 September 2021 and 30 September 2020:

For the nine months ended 30 September 2021

	Property Development HK\$'000 (Unaudited)	Financial Services HK\$'000 (Unaudited)	Face mask HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue:				
Revenue from external customers	<u>22,076</u>	<u>698</u>	<u>1,528</u>	<u>24,302</u>
Segment results	<u>9,691</u>	<u>(62)</u>	<u>(293)</u>	9,336
Unallocated corporate income				52
Unallocated corporate expenses				(3,137)
Fair value loss on financial assets at fair value through profit or loss				(5,030)
Gain on disposal of financial assets				1,184
Unallocated finance costs				<u>(4,255)</u>
Loss before income tax				(1,850)
Income tax expense				<u>–</u>
Loss for the period				<u>(1,850)</u>

For the nine months ended 30 September 2020

	Property Development <i>HK\$'000</i> (Unaudited)	Financial Services <i>HK\$'000</i> (Unaudited)	Face mask <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Segment revenue:				
Revenue from external customers	–	1,480	2,272	3,752
Segment results	(536)	(168)	(600)	(1,304)
Unallocated corporate income				330
Unallocated corporate expenses				(4,602)
Fair value loss on financial assets at fair value through profit or loss				(3,385)
Gain on disposal of financial assets				61,646
Unallocated finance costs				(8,801)
Profit before income tax				43,884
Income tax expense				–
Profit for the period				43,884

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue by geographical area				
Hong Kong	703	703	2,706	3,752
PRC	7,582	–	21,596	–
	8,285	703	24,302	3,752

5. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong during the period ended 30 September 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 September 2021 and 2020.

6. INTERIM DIVIDEND

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

7. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Unaudited (loss)/profit attributable to the equity holders of the Company used in the basic (loss)/earnings per share calculation	<u>(122)</u>	<u>56,404</u>	<u>(1,733)</u>	<u>44,124</u>
	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period	11,178,498,344	11,178,498,344	11,178,498,344	11,178,498,344
Less: Weighted average number of shares held for share award scheme	<u>(169,163,118)</u>	<u>(169,163,118)</u>	<u>(169,163,118)</u>	<u>(169,163,118)</u>
Weighted average number of ordinary shares used in the basic (loss)/earnings 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 (loss)/earnings per share for the nine months ended 30 September 2021 and 30 September 2020 were the same as the basic (loss)/earnings per share. The Company's share options have no dilution effect for the three months and nine months ended 30 September 2021 and 30 September 2020 because the exercise prices of the Company's share options were higher than the average market prices of the shares for both periods.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the nine months period ended 30 September 2021 (the “Period”), the Group recorded revenue of approximately HK\$24.3 million, representing an increase of approximately 6.4 times comparing with that of approximately HK\$3.8 million in 2020. Such increase in revenue was mainly due to the 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\$1.7 million (nine months ended 30 September 2020: profit of HK\$44.1 million). The turnaround of loss attributable to the equity holders of the Company was mainly due to one-off gain resulted from disposal of financial assets in 2020. As to the underlying operating results of the Group, after excluding non-operating items (being gain/loss arising from fair value on and disposal of financial assets), an operating profit of HK\$6.4 million was recorded for the Period (an operating loss of HK\$5.2 million in 2020) attributable to (i) the increase in operating profit from property project management services in property development and (ii) effective in cost control.

As at 30 September 2021, the net asset position of the Group amounted to approximately HK\$102.9 million (31 December 2020: HK\$111.6 million).

BUSINESS REVIEW

The Group’s main businesses are: (i) property development (including property 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 Laws of Hong Kong); and (iii) the manufacturing and sale of face masks and related products.

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

(a) Property development

During the Period, revenue attributed to the property development business was approximately HK\$22.1 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 September 2021:

Project	Location	Type	Status as of 30 September 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 in the first half of 2022	Approximately 10,000 square meters
Huanghua Project	Huanghua New City	Commercial property	The construction works are expected to be commenced in the first half of 2022	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, insurance brokerage, money lending and asset management. During the Period, the Group had revenue of approximately HK\$698,000 (nine months ended 30 September 2020: approximately HK\$1.5 million) in this segment.

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\$686,000 (nine months ended 30 September 2020: approximately HK\$1.5 million) in this business and the gross loan portfolio of the money lending business amounted to HK\$12.7 million as at 30 September 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) Manufacturing and sale of face masks and related products

The Group commenced its business in manufacturing and sale of face masks in 2020. During the Period, revenue from this segment amounted to approximately HK\$1.5 million with a segment loss of approximately HK\$293,000.

INVESTMENT PORTFOLIO

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

Stock code	Name of security	Carrying value as at 30 September 2021 <i>HK\$'000</i>	Fair value gain (loss) during the Period <i>HK\$'000</i>
00413	SCHC		
	– Ordinary shares	30,295	(16,075)
	– RCPSs	70,344	3,159
		<u>100,639</u>	<u>(12,916)</u>

The Group considers this as a strategic investment and will review its investment strategy regularly in response to the changes in market situation.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATE OR ANY RELATED HEDGES

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

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 September 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 and expanding the scope of property development businesses by providing property project management services.

(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 in the first half of 2022. Pre-sale of the residential premises of the first complex has been taken place since December 2020 and approximately 40% has been sold.

Huanghua Project

The planning works of phase 1 have started since October 2020 and the construction works are expected to be commenced in the first half of 2022 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 under progress and subject to negotiation with local government.

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.

(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 entered into a contract in respect of co-brokerage business with an international insurance brokerage company. 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 year ending 31 December 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, 27 July 2021 and 27 October 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, 27 July 2021 and 27 October 2021, the Company provided updates on the development of the Group in respect of resumption of trading of the Shares.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares 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, 9 November 2021

As at the date of this announcement, the directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor 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 for at least seven days from the date of its publication and on the website of the Company at www.scassets.com.