



**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)**

**FIRST QUARTERLY REPORT  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

## QUARTERLY RESULTS

The board of directors (the “Board”) of South China Assets Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2017 together with the relevant comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>Three months ended 31 March</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Revenue	2	<b>733</b>	1,622
Other operating income		<b>5</b>	13
Fair value loss on financial assets at fair value through profit or loss		<b>(18,369)</b>	(713)
Fair value (loss)/gain on redemption option embedded in redeemable convertible preference shares of a related company		<b>(4,454)</b>	16,813
Loss on disposal of available-for-sale financial assets		<b>-</b>	(10,354)
Administrative and other operating expenses		<b>(3,999)</b>	(8,033)
Operating loss		<b>(26,084)</b>	(652)
Finance costs		<b>(6,654)</b>	(6,560)
Loss before income tax		<b>(32,738)</b>	(7,212)
Income tax expense	4	<b>-</b>	-
<b>Loss for the period attributable to the equity holders of the Company</b>		<b>(32,738)</b>	(7,212)
<b>Loss per share attributable to equity holders of the Company for the period</b>			
Basic and diluted	6	<b>HK(0.30) cent</b>	HK(0.07) cent

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Three months ended 31 March****2017**                      2016  
**HK\$'000**                      **HK\$'000**

<b>Loss for the period</b>	<b>(32,738)</b>	(7,212)
<b>Other comprehensive income, that may be reclassified subsequently to profit or loss</b>		
Fair value loss on available-for-sale financial assets	<b>(53,882)</b>	(321,553)
Release of available-for-sale financial assets revaluation reserve upon de-recognition of available-for-sale financial assets	<b>(77,528)</b>	-
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets	-	(3,137)
Exchange differences on translation of financial statements of overseas subsidiaries	<b>2,801</b>	1,726
	<u>                    </u>	<u>                    </u>
<b>Total comprehensive income for the period attributable to the equity holders of the Company</b>	<b><u>(161,347)</u></b>	<b><u>(330,176)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the three months ended 31 March 2017*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Treasury shares <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital contribution reserve <i>HK\$'000</i>	Available- for-sale 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>	Total equity <i>HK\$'000</i>
<b>At 1 January 2016 (audited)</b>	111,785	771,842	(20,274)	6,044	291,562	403,591	17,592	16,805	885,353	2,484,300
<b>Transactions with owners</b>										
Recognition of equity settled share-based compensation	-	-	-	-	-	-	1,955	-	-	1,955
<b>Comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	-	-	(7,212)	(7,212)
<b>Other comprehensive income</b>										
Release of reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(3,137)	-	-	-	(3,137)
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(321,553)	-	-	-	(321,553)
Exchange realignment	-	-	-	-	-	-	-	1,726	-	1,726
Total comprehensive income for the period	-	-	-	-	-	(324,690)	-	1,726	(7,212)	(330,176)
<b>At 31 March 2016 (unaudited)</b>	<u>111,785</u>	<u>771,842</u>	<u>(20,274)</u>	<u>6,044</u>	<u>291,562</u>	<u>78,901</u>	<u>19,547</u>	<u>18,531</u>	<u>878,141</u>	<u>2,156,079</u>
<b>At 31 December 2016 and 1 January 2017 (audited)</b>	111,785	-	(20,191)	6,044	-	12,276	24,644	(9,476)	108,236	233,318
<b>Transaction with owners</b>										
Bonus shares received on redeemable convertible preference shares	-	-	-	-	-	-	-	-	77,528	77,528
Recognition of equity settled share-based compensation	-	-	-	-	-	-	1,188	-	-	1,188
Transactions with owners	-	-	-	-	-	-	1,188	-	77,528	78,716
<b>Comprehensive income</b>										
Loss for the period	-	-	-	-	-	-	-	-	(32,738)	(32,738)
<b>Other comprehensive income</b>										
Changes in fair value of available-for-sale financial assets	-	-	-	-	-	(53,882)	-	-	-	(53,882)
Release of reserve upon de-recognition of available-for-sale financial assets	-	-	-	-	-	(77,528)	-	-	-	(77,528)
Exchange realignment	-	-	-	-	-	-	-	2,801	-	2,801
Total comprehensive income for the period	-	-	-	-	-	(131,410)	-	2,801	(32,738)	(161,347)
<b>At 31 March 2017 (unaudited)</b>	<u>111,785</u>	<u>-</u>	<u>(20,191)</u>	<u>6,044</u>	<u>-</u>	<u>(119,134)</u>	<u>25,832</u>	<u>(6,675)</u>	<u>153,026</u>	<u>150,687</u>

Notes:

## **1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements for the three months ended 31 March 2017 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 the Growth Enterprise Market (“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 2016 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 2017, as disclosed in the annual financial statements for the year ended 31 December 2016. The adoption of these new and revised HKFRS does not have material impact on the Group’s results of operations and financial position.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 December 2016.

## **2. REVENUE**

During the three months ended 31 March 2017, the revenue represents interest income from loans receivable from the money lending operation.

Since the Group’s property development projects are still in development stage, the Group will resume and recognise relevant revenue upon the projects’ completion and sale. There was no such revenue recorded for the three months ended 31 March 2017 and 31 March 2016.

## **3. 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 two reportable segments as follows:

- (a) “Financial Services” segment which is engaged in provision of investment advisory and asset management services and money lending business; and
- (b) “Property Development” segment which is engaged in property development business in the People’s Republic of China (“PRC”).

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

**For the three months ended 31 March 2017**

	<b>Financial Services HK\$'000</b>	<b>Property Development HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Segment revenue:</b>			
Revenue from external customers	733	–	733
<b>Segment Loss</b>	<u>(1,880)</u>	<u>(634)</u>	(2,514)
Unallocated corporate expenses			(820)
Fair value loss on financial assets at fair value through profit or loss			(18,369)
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company			(4,454)
Finance costs			<u>(6,581)</u>
Loss before income tax			(32,738)
Income tax expense			<u>–</u>
Loss for the period			<u><u>(32,738)</u></u>

**For the three months ended 31 March 2016**

	<b>Financial Services HK\$'000</b>	<b>Property Development HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Segment revenue:</b>			
Revenue from external customers	1,622	–	1,622
<b>Segment Loss</b>	<u>(1,291)</u>	<u>(3,152)</u>	(4,443)
Unallocated corporate expenses			(1,955)
Loss on disposal of available-for-sale financial assets			(10,354)
Fair value loss on financial assets at fair value through profit or loss			(713)
Fair value gain on redemption option embedded in redeemable convertible preference shares of a related company			16,813
Finance costs			<u>(6,560)</u>
Loss before income tax			(7,212)
Income tax expense			<u>–</u>
Loss for the period			<u><u>(7,212)</u></u>

The Group's geographical information of the revenue from external customers are not presented as the revenue for the three months ended 31 March 2017 and 2016 are attributable to a single geographical region, Hong Kong, and the Group did not depend on any single customer under the segments for the three months ended 31 March 2017 and 2016.

#### 4. 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 three months ended 31 March 2017 and 2016.

No provision for the PRC enterprise income taxes was made as the subsidiaries operated in the PRC had no assessable profits during the three months ended 31 March 2017 and 2016.

#### 5. DIVIDEND

The Board resolved not to declare the payment of dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

#### 6. LOSS PER SHARE

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

	<b>Three months ended 31 March</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Loss attributable to equity holders of the Company used in the basic loss per share calculation	<b>(32,738)</b>	(7,212)
	<b>2017</b>	2016
Weighted average number of ordinary shares in issue during the period	<b>11,178,498,344</b>	11,178,498,344
Less: Weighted average number of shares held for share award scheme	<b>(169,163,118)</b>	(169,819,118)
Weighted average number of ordinary shares used in the basic loss per share calculation	<b>11,009,335,226</b>	11,008,679,226

Diluted loss per share for the three months ended 31 March 2017 and 2016 are the same as the basic loss per share. No share option was granted during the three months ended 31 March 2017 and 2016. The Company's share options have no dilution effect for the three months ended 31 March 2017 and 2016 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 SUMMARY**

The Group recorded revenue and loss attributable to the equity holders of the Company, both being the financial key performance indicators, for the three months ended 31 March 2017 of HK\$0.7 million (three months ended 31 March 2016: HK\$1.6 million) and HK\$32.7 million (three months ended 31 March 2016: HK\$7.2 million), respectively. The loss attributable to the equity holders of the Company for the three months ended 31 March 2017 primarily resulted from increase in fair value loss on financial assets at fair value through profit or loss, and fair value loss on redemption option embedded in redeemable convertible preference shares of a related company (“RCPS”) as compared to a fair value gain in the corresponding period of last year.

Excluding non-operating items (being gain/loss arising from, among other things, fair value loss on financial assets at fair value through profit or loss, fair value gain/loss on redemption option embedded in RCPS, and loss on disposal of available-for-sale financial assets), adjusted operating loss of the Group for the period was HK\$3.3 million as compared to a loss of HK\$6.4 million in the corresponding period of last year.

### **FINANCIAL REVIEW**

In 2015, the Group acquired companies engaged in provision of investment advisory and asset management services and money lending business. The money lending business has generated revenue for the Group in the period under review. The property development segment did not record any revenue for the three months ended 31 March 2017 and 2016 as the property development projects on hand were still at the development stage.

During the three months ended 31 March 2017, the fair value loss on financial assets at fair value through profit or loss and the fair value loss on redemption option embedded in RCPS were HK\$18.4 million and HK\$4.5 million, respectively (three months ended 31 March 2016: HK\$0.7 million and gain of HK\$16.8 million, respectively). The change in fair value gain/loss mainly resulted from the movements in various parameters including share price of South China Holdings Company Limited (“SCHC”).

No loss on disposal of available-for-sale financial assets incurred during the three months ended 31 March 2017 (three months ended 31 March 2016: HK\$10.4 million) as no RCPS was redeemed during the period. Administrative and other operating expenses decreased to HK\$4.0 million in the period under review as compared to HK\$8.0 million in the corresponding period of last year.

### **BUSINESS REVIEW**

The principal businesses of the Group include financial services and property development.

#### **(a) Financial services**

South China Asset Management Limited (“SCA”), a licensed corporation holding the licences for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), was acquired from South China Financial Holdings Limited (“SCF”) in September 2015. SCA is currently working on product and channel development, and has not recorded any revenue in the period under review.

In November 2015, the Group acquired a company engaged in money lending business, South China Financial Credits Limited (“SCFC”), from SCF. SCFC is governed by the Hong Kong Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong) with business scope encompassing unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation. The loan portfolio of the money lending business amounted to HK\$7.2 million as at 31 March 2017.

In furthering the Group’s strategy to build up an “one-stop financial services center” to offer customers with a diverse range of financial services, the Group has applied and the Securities and Futures Commission (“SFC”) has approved the application for corporate licence to carry out regulated activities in dealing in securities in October 2016, which is in the process of preparation before commencing operation. The asset management team of the Group is currently working on its products development, and has not recorded any revenue in the period under review.

The directors considered that the key risk exposures of our investment advisory and asset management business and money lending business are market risk, credit risk and the need to maintain sufficient liquidity to satisfy regulatory capital requirements and working capital needs. The Group does not take trade positions which expose it to material price risk or foreign exchange risk.

The Group’s risk management objectives are therefore to minimise the key financial risks through clearly defined terms of business with customers, stringent investment and credit control over transactions with them, and regular monitoring of cash flow and management accounts to ensure that the relevant regulated entities comply with the regulatory capital requirements and the financial services operations maintain adequate working capital.

## **(b) Property development**

### *Shenyang, Liaoning Province*

Under the development plan of the Huanggu District (皇姑區) property development project, the Huanggu District (皇姑區) property development project has a site area of approximately 67,000 square metres. A mixed development which comprises commercial/retail, residential and office/hotel will be built. According to the Auction Confirmation Letter (掛牌交易成交確認書) (the “Auction Confirmation Letter”), the consideration for the land use rights is RMB1,176.8 million. As of today, RMB235.4 million land premium has been paid.

Since the site demolition work and occupants relocation have not been carried out by the government, the government is not in a position to deliver vacant possession of the site to a subsidiary of the Company. Regarding payment of compensation, the Company and the subsidiary of the Company has commenced legal proceedings against Shenyang City Huanggu Region Construction Administration Bureau (沈陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (沈陽市土地交易中心) (collectively referred as the “Shenyang Bureau”) in the Liaoning High People’s Court (遼寧省高級人民法院) for damages and other reliefs.

On 4 May 2016, Liaoning High People’s Court (遼寧省高級人民法院) ruled in our favor that the Shenyang Bureau is required to pay to the Company’s subsidiary the interests on the land premium paid by the Company, which are to be calculated from 3 March 2010. On 23 May 2016, the Shenyang Bureau appealed to the Supreme People’s Court of The People’s Republic of China (中華人民共和國最高人民法院).

On 2 March 2017, the Supreme People's Court of The People's Republic of China has ruled in our favor, being the same as the ruling on 4 May 2016, that the Shenyang Bureau is required to pay to the Company's subsidiary the interests on the land premium paid by the Company, which are to be calculated from 3 March 2010. The management has been working with Shenyang Bureau on the receipt of the refund based on the latest ruling.

#### *Cangzhou, Hebei Province*

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 square metres, is a commercial/retail development to provide shopping mall, entertainment, dining and recreational facilities with a total GFA of approximately 45,000 square metres. The consideration for the land use rights is RMB15.3 million. The Group has obtained the State-owned Land Use Right Certificate (國有土地使用證), the Land Use Permit (建設用地規劃許可證) and the Construction Planning Permit (建設工程規劃許可證) for the project. Main contract work is expected to commence upon the issuance of the Construction Permit (建設工程施工許可證).

In February 2014, the Group won a bid at the tender for the acquisition of the land adjacent to the then existing Huanghua New City property development project with a site area of 32,921 square metres and allowable GFA of approximately 99,000 square metres. The consideration for the land acquisition, which amounted to RMB15.5 million, has been paid fully. This newly acquired land, being the second phase of the Huanghua New City property development project, will provide further

The existing property portfolio of the Group is located in the PRC and is therefore subject to the risks associated with the PRC property market. Our property development operations in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance, and the overall economic conditions, which may pose an adverse impact on the Group's business, financial condition or results of operations. To mitigate the abovementioned risks, the Group will monitor such exposures closely with a view to reacting timely to any change.

### **MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

The Group did not have any material acquisition or disposal during the three months ended 31 March 2017.

### **PROSPECTS**

Management reviewed the business of the Group in 2016, and was of the view that it is in the best interest of the Group to continue consolidate its existing property development business and diversify into new business in the financial services sector which is able to produce steady income stream given the existing market conditions and the resources available.

The year of 2017 will be another challenging year given the dynamic changes in both macroeconomic environment and policy changes in the PRC. Despite the challenges, management believes opportunities still exist for our business growth. The Group will pay close attention to the internal and external economic situations and continue to closely monitor and make great efforts on adjusting internal structure and optimising businesses.

**(a) Financial services business**

To capitalise strong demand for financial services and surging needs of customers in the Greater China region, the Group's strategy is to build up an "one-stop financial services center" to offer customers with a diverse range of financial services. To pursue this goal, the Group acquired SCA, the asset management arm, and SCFC, the money lending business unit, in the second half of year 2015.

SCA was in the incubation stage in the period under review and is continuing its effort in structuring private funds with various investment strategies and asset classes to meet our clients' investment needs and risk appetites. SCA aims to launch new funds and is in discussion with potential investors for engagement as investment manager to provide tailor-made discretionary portfolio and management solutions. Management anticipates that SCA will generate revenue upon successful rollout of the funds and discretionary managed accounts.

SCFC is in the progress to devise a new market positioning strategy during the period under review. The move is to tap into customer segments with better credibility background and new products to cater needs from the market as a step towards building a healthy loan portfolio, which is conducive to the sustained growth of business in the future. Amidst product repositioning strategy, SCFC has tightened its credit approval and strategy of new loan and loan refinancing applications, dwindling the amount of new loan disbursements in the three months ended 31 March 2017. To grasp more business opportunities in year 2017, SCFC contemplates to launch new loan products suitable to new target customer segments. Concurrently, SCFC plans to enlarge its sales force and strengthen its credit approval process and debt collection functions which provides safeguard to the Group for excessive credit risk.

In addition to the Group's successful application for the licence to conduct regulated activities in dealing in securities in October 2016, as a further step moving towards the mission as an "one-stop financial services center", the Group has submitted application to SFC for licence to conduct regulated activities in dealing in futures contracts as of the date of this report.

**(b) Property development business**

After the completion of the disposal of entire issued share capital of Elite Empire and Bigwin in 2015, the projects on hand has aggregate site area of approximately 142,000 square meters including approximately 67,000 square meters attributable to the Huanggu District project. As mentioned in the section "BUSINESS REVIEW", the Group has been in discussions with the local government to resolve the issue.

To diversify its business, the Group has shifted its focus to the small to medium size projects to relieve the burden on resources for the capital intensive projects.

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

As at 31 March 2017, 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")**

<b>Directors</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Total number of Shares</b>	<b>Approximate percentage of shareholding to total issued Shares</b>
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,257,178,811	64.92%
	Interest of spouse	967,923,774		
	Interest of controlled corporations	5,925,861,298 <i>(Note (a))</i>		
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner		13,104,000	0.12%
Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner		2,602,667	0.02%

**(ii) Long positions in underlying Shares**

<b>Directors</b>	<b>Capacity</b>	<b>Number of underlying Shares</b>	<b>Approximate percentage of shareholding to total issued Shares</b>
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 <i>(Note (b))</i>	0.50%
Mr. Law	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 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 (“Mr. Gorges”) and 20% by Ms. Cheung. SCHC was owned as to approximately to 63.19% 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, Mr. Law and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the “Share Option Scheme”). For more details, please refer to the section headed “Share Option Scheme”.

Apart from the foregoing, none of the Directors or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 31 March 2017.

#### **SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES**

The Company has been notified of the following interest in its issued Shares at 31 March 2017 amounting to 5% or more of the Shares in issue:

##### **Long positions in Shares**

<b>Shareholders</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of shareholding to total issued Shares</b>
Eartrade	Beneficial owner and interest of a controlled corporation	2,238,789,644 <i>(Note (a))</i>	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 <i>(Note (a))</i>	9.74%
Ng Lai King Pamela (“Ms. Ng”)	Beneficial owner and interest of spouse	7,257,178,811 <i>(Note (b))</i>	64.92%

*Notes:*

- (a) Bannock is a wholly-owned subsidiary of Eartrade. Eartrade was deemed to have interest in the Shares held by Bannock.
- (b) Ms. Ng, who held 967,923,774 Shares directly, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was deemed to have interest in the 363,393,739 Shares and 5,925,861,298 Shares held by Mr. Ng directly and indirectly through controlled corporations, respectively, as disclosed in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” in the above.

Apart from the forgoing, as at 31 March 2017, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” in the above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to section 336 of SFO.

**EMPLOYEES’ SHARE AWARD SCHEME**

On 18 March 2011, the Company adopted the 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’ 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 three months ended 31 March 2017 were as follows:

Name and category of participant	Number of share options					Balance as at 31/03/2017	Date of grant of share options (DD/MM/YYYY)	Exercisable period of share options (Note i)	Price of shares		
	Balance as at 01/01/2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				Exercise price per share option (Note ii)	Immediately preceding the grant date of share options (Note ii)	Immediately preceding the exercise date of share options (Note iii)
	HK\$							HK\$	HK\$	HK\$	
<b>Directors</b>											
Ms. Cheung	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. Law	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. Paul Ng	25,152,000	-	-	-	-	25,152,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
	25,152,000	-	-	-	-	25,152,000	01/10/2013	01/10/2017 – 30/09/2023	0.188	0.188	N/A
	33,536,000	-	-	-	-	33,536,000	01/10/2013	01/10/2018 – 30/09/2023	0.188	0.188	N/A
Sub-total	<u>195,632,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,632,000</u>					
<b>Other</b>											
In aggregate	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016 – 30/09/2023	0.188	0.188	N/A
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017 – 30/09/2023	0.188	0.188	N/A
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018 – 30/09/2023	0.188	0.188	N/A
Sub-total	<u>55,896,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,896,000</u>					
<b>Total</b>	<u>251,528,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,528,000</u>					

Notes:

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

<b>From the date of grant of share options</b>	<b>Exercisable percentage</b>
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, SCHC and 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 and provision of investment advisory or asset management services and dealing in securities.

Mr. Ng, Ms. Cheung, Mr. Gorges and Mr. Law, 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, 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.

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 the directors and substantial shareholders of a controlled corporation of Mr. Ng, together with his associates, holds 63.19% interest in SCHC and Mr. Ng holds 29.32% interest in SCF.

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large 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 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 three months ended 31 March 2017.

### **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 two Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Committee) (appointed on 31 March 2017) and Ms. Pong Scarlett Oi Lan, BBS, J.P. and a Non-executive Director, namely Mr. Paul Ng.

The Group's quarterly report for the three months ended 31 March 2017 has been reviewed by the Audit Committee.

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 May 2017

*As at the date of this report, the directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cbeung Choi Ngor, Mr. Richard Howard Gorges, Ms. Ng Yuk Mui Jessica and Mr. Law Albert Yu Kwan as executive directors; (2) Mr. Ng Yuk Yeung Paul as non-executive director; and (3) Mr. Cheng Hong Kei, Sr Dr. Leung Tony Ka Tung and Ms. Pong Scarlett Oi Lan, BBS, J.P. as independent non-executive directors.*