



**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)**

**THIRD QUARTERLY REPORT  
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

**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.**

## 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 2018 together with the relevant comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	2	182	359	510	1,448
Other net income	3	412	-	1,407	92,743
Fair value (loss)/gain on financial assets at fair value through profit or loss		(4,836)	13,806	(10,156)	(9,202)
Fair value gain/(loss) on redemption option embedded in redeemable convertible preference shares of a related company		-	1,455	-	(2,432)
Loss on disposal of available-for-sale financial assets		-	(1,188)	-	(1,951)
Administrative and other operating expenses		(4,207)	(11,779)	(16,041)	(16,824)
Operating (loss)/profit		(8,449)	2,653	(24,280)	63,782
Finance costs		(4,921)	(6,753)	(16,056)	(20,099)
(Loss)/profit before income tax		(13,370)	(4,100)	(40,336)	43,683
Income tax	5	23,107	2,435	23,107	(28,382)
<b>(Loss)/profit for the period attributable to the equity holders of the Company</b>		<b>9,737</b>	<b>(1,665)</b>	<b>(17,229)</b>	<b>15,301</b>
<b>(Loss)/earnings per share attributable to the equity holders of the Company for the period</b>					
Basic and diluted	7	<b>HK0.09 cent</b>	HK(0.02) cent	<b>HK(0.16) cent</b>	HK0.14 cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
<b>(Loss)/profit for the period</b>	<b>9,737</b>	(1,665)	<b>(17,229)</b>	15,301
<b>Other comprehensive income</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Fair value loss on financial assets at fair value through other comprehensive income	<b>(43,638)</b>	-	<b>(94,954)</b>	-
Release of financial assets revaluation reserve upon disposal of financial assets	<b>3,170</b>	-	<b>5,394</b>	-
<i>Items that may be reclassified subsequently to profit or loss</i>				
Release of available-for-sale financial assets revaluation reserve upon disposal of available-for-sale financial assets	-	2,876	-	4,613
Fair value loss on available-for-sale financial assets	-	(17,429)	-	(84,313)
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(9,625)</b>	7,575	<b>(13,242)</b>	17,848
<b>Total comprehensive income for the period attributable to the equity holders of the Company</b>	<b><u>(40,356)</u></b>	<b><u>(8,643)</u></b>	<b><u>(120,031)</u></b>	<b><u>(46,551)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Share capital HK\$'000	Treasury shares HK\$'000	Capital reserve HK\$'000	Financial assets revaluation reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Employee compensation reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
<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>									
Recognition of equity settled share-based compensation	-	-	-	-	-	3,301	-	-	3,301
Forfeit of share options under share option scheme	-	-	-	-	-	(6,004)	-	6,004	-
Transaction with owners	-	-	-	-	-	(2,703)	-	6,004	3,301
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	-	-	15,301	15,301
<b>Other comprehensive income</b>									
Release of reserve upon disposal of available-for-sale financial assets	-	-	-	-	4,613	-	-	-	4,613
Changes in fair value of available-for-sale financial assets	-	-	-	-	(84,313)	-	-	-	(84,313)
Exchange realignment	-	-	-	-	-	-	17,848	-	17,848
Total comprehensive income for the period	-	-	-	-	(79,700)	-	17,848	15,301	(46,551)
<b>At 30 September 2017 (unaudited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>-</u>	<u>(67,424)</u>	<u>21,941</u>	<u>8,372</u>	<u>129,541</u>	<u>190,068</u>
<b>At 31 December 2017 and 1 January 2018 (audited)</b>	111,785	(20,191)	6,044	-	(59,942)	22,417	15,935	99,419	175,467
<b>Change in accounting policy</b>									
Adoption of HKFRS 9	-	-	-	(63,047)	59,942	-	-	3,105	-
<b>Transaction with owners</b>									
Loss on disposal of financial assets	-	-	-	-	-	-	-	(1,919)	(1,919)
Recognition of equity settled share-based compensation	-	-	-	-	-	1,431	-	-	1,431
Transaction with owners	-	-	-	-	-	1,431	-	(1,919)	(488)
<b>Comprehensive income</b>									
Loss for the period	-	-	-	-	-	-	-	(17,229)	(17,229)
<b>Other comprehensive income</b>									
Changes in fair value of financial assets	-	-	-	(94,954)	-	-	-	-	(94,954)
Release of reserve upon disposal of financial assets	-	-	-	5,394	-	-	-	-	5,394
Exchange realignment	-	-	-	-	-	-	(13,242)	-	(13,242)
Total comprehensive income for the period	-	-	-	(89,560)	-	-	(13,242)	(17,229)	(120,031)
<b>At 30 September 2018 (unaudited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(152,607)</u>	<u>-</u>	<u>23,848</u>	<u>2,693</u>	<u>83,376</u>	<u>54,948</u>

Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2018 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 2017 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 2018, as disclosed in the annual financial statements for the year ended 31 December 2017.

Upon adoption of Hong Kong Financial Reporting Standard 9: Financial Instruments (“HKFRS9”), for the Group’s host equity instrument of the redeemable convertible preference shares (“RCPS”) and listed ordinary shares measured at fair value and classified as available-for-sale financial assets as at 31 December 2017, are reclassified to financial assets at fair value through other comprehensive income with effect from 1 January 2018. For the Group’s redemption option in respect of RCPS classified as financial liabilities at fair value through profit or loss as at 31 December 2017, is reclassified to financial assets at fair value through other comprehensive income with effect from 1 January 2018. Cumulative fair value changes on the available-for-sale financial assets revaluation reserve, together with the fair value changes on the redemption option previously recognised under retained earnings, are transferred to financial assets revaluation reserve with effect from 1 January 2018.

Other than the adoption of HKFRS 9, the adoption of other new and revised HKFRS does not have material impact on the Group’s financial performance and financial position.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual report for the year ended 31 December 2017.

## 2. REVENUE

For the three months and nine months ended 30 September 2018, the revenue represents interest income from the money lending operation.

Since the Group’s property development projects are still at the planning 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 and nine months ended 30 September 2018 and 30 September 2017.

## 3. OTHER NET INCOME

During the three months and nine months ended 30 September 2018, the other net income mainly represents bank interest income.

During the three months and nine months ended 30 September 2017, the other net income mainly represented a one-off compensation in respect of the Huanggu District property development project, receivable from Shenyang City Huanggu Region Construction Administration Bureau (瀋陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (瀋陽市土地交易中心) (collectively referred as the “Shenyang Bureau”), based on the court rulings dated 4 May 2016 and 2 March 2017, respectively. The courts ruled in our favor that the Shenyang Bureau was required to pay to the Company’s subsidiary the compensation and reliefs, together with net exchange gains and the offsetting with corresponding receivables previously recognised, amounted to other net income of HK\$92.7 million.

#### 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 two reportable segments as follows:

- (a) the financial services segment which is engaged in provision of investment advisory and asset management services and money lending business; and
- (b) the 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.

The following tables present revenue and (loss)/profit for the Group's operating segments for the nine months ended 30 September 2018 and 30 September 2017:

##### For the nine months ended 30 September 2018

	<b>Financial Services HK\$'000 (unaudited)</b>	<b>Property Development HK\$'000 (unaudited)</b>	<b>Consolidated HK\$'000 (unaudited)</b>
<b>Segment revenue:</b>			
Revenue from external customers	<u>510</u>	<u>-</u>	<u>510</u>
<b>Segment results</b>	<u><u>(3,457)</u></u>	<u><u>2,504</u></u>	<u>(953)</u>
Unallocated corporate income			1,096
Unallocated corporate expenses			(14,448)
Fair value loss on financial assets at fair value through profit or loss			(10,156)
Unallocated finance costs			<u>(15,875)</u>
Loss before income tax			(40,336)
Income tax			<u>23,107</u>
Loss for the period			<u><u>(17,229)</u></u>

#### 4. SEGMENT INFORMATION (Continued)

For the nine months ended 30 September 2017

	Financial Services <i>HK\$'000</i> (unaudited)	Property Development <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Segment revenue:</b>			
Revenue from external customers	<u>1,448</u>	<u>-</u>	<u>1,448</u>
<b>Segment results</b>	<u>(4,319)</u>	<u>85,256</u>	80,937
Unallocated corporate expenses			(3,706)
Fair value loss on financial assets at fair value through profit or loss			(9,202)
Fair value loss on redemption option embedded in redeemable convertible preference shares of a related company			(2,432)
Loss on disposal of available-for-sale financial assets			(1,951)
Unallocated finance costs			<u>(19,963)</u>
Profit before income tax			43,683
Income tax			<u>(28,382)</u>
Profit for the period			<u>15,301</u>

The Group's geographical information of the revenue from external customers are not presented as the revenue for the nine months ended 30 September 2018 and 30 September 2017 are attributable to a single geographical region, Hong Kong, and the Group did not depend on any single customer under the segments for the nine months ended 30 September 2018 and 30 September 2017.

#### 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 three months and nine months ended 30 September 2018 and 30 September 2017.

No provision for the PRC enterprise income tax was made as the subsidiaries operated in the PRC had no assessable profits during the three months and nine months ended 30 September 2018.

During the three months and nine months ended 30 September 2017, tax on income arising from subsidiaries in PRC have been provided based on a statutory rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations.

#### 6. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: 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	
	2018	2017	2018	2017
	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>9,737</u>	<u>(1,665)</u>	<u>(17,229)</u>	<u>15,301</u>
	<b>Three months ended</b> <b>30 September</b> <b>2018</b>		<b>Nine months ended</b> <b>30 September</b> <b>2018</b>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue during the period	<b>11,178,498,344</b>	11,178,498,344	<b>11,178,498,344</b>	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><b>11,009,335,226</b></u>	<u>11,009,335,226</u>	<u><b>11,009,335,226</b></u>	<u>11,009,335,226</u>

Diluted (loss)/earnings per share for the nine months ended 30 September 2018 and 30 September 2017 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 2018 and 30 September 2017 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 nine months ended 30 September 2018 of HK\$0.5 million (nine months ended 30 September 2017: HK\$1.4 million) and HK\$17.2 million (nine months ended 30 September 2017: profit of HK\$15.3 million), respectively.

The loss attributable to the equity holders of the Company for the nine months ended 30 September 2018 is mainly attributable to non-occurrence of a one-off compensation income from Shenyang City Huanggu Region Construction Administration Bureau (瀋陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (瀋陽市土地交易中心) in respect of the Huanggu District property development project of the Group recognised in the corresponding period of last year (details of which are disclosed in the Annual Report 2017). This was partially offset by the fair value loss on redemption embedded in redeemable convertible preference shares of a related company ("RCPS") being recorded through other comprehensive income following the adoption of Hong Kong Financial Reporting Standard 9: Financial Instruments with effect from 1 January 2018.

Excluding non-operating items (being gain/loss arising from, among other things, other net income, fair value loss on financial assets at fair value through profit or loss and redemption options embedded in RCPS), adjusted operating loss of the Group for the period was HK\$11.0 million as compared to a loss of HK\$15.4 million in the corresponding period of last year due to efforts in controlling cost.

### **FINANCIAL REVIEW**

During the period under review, money lending business has generated revenue of HK\$0.5 million (nine months ended 30 September 2017: HK\$1.4 million). The property development segment did not record any revenue from external customers as the property development projects were still at the planning stage.

For the nine months ended 30 September 2018, the fair value loss on financial assets at fair value through profit or loss was HK\$10.2 million (nine months ended 30 September 2017: HK\$9.2 million). The change in fair value loss mainly resulted from the movements in various parameters including share price of South China Holdings Company Limited ("SCHC"). No fair value loss on redemption option embedded in RCPS was recorded during the nine months ended 30 September 2018 (nine months ended 30 September 2017: HK\$2.4 million) as such was recorded through other comprehensive income following the adoption of HKFRS 9 with effect from 1 January 2018.

Other net income amounted to HK\$1.4 million (nine months ended 30 September 2017: HK\$92.7 million) for the period under review. The decrease mainly resulted from non-occurrence of a one-off compensation income from Shenyang City Huanggu Region Construction Administration Bureau and Shenyang Land Reserve & Exchange Centre in respect of the Huanggu District property development project of the Group recognised in the corresponding period of last year. Administrative and other operating expenses amounted to HK\$16.0 million (nine months ended 30 September 2017: HK\$16.8 million) for the period under review.

## **BUSINESS REVIEW**

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

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

The segment is made up of 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). SCA has not recorded any revenue in the period under review.

The Group also carries out money lending business via South China Financial Credits Limited (“SCFC”), a wholly-owned subsidiary of the Company. 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 gross loan portfolio of the money lending business amounted to HK\$8.9 million as at 30 September 2018.

In furthering the Group’s strategy to build up a “one-stop financial services center” to offer customers with a diverse range of financial services, the Group has been granted by the Securities and Futures Commission (“SFC”) the corporate licence to carry out regulated activities in dealing in securities (“Type 1 Licence”) in October 2016 and the corporate licence to carry out regulated activities in dealing in futures contracts (“Type 2 Licence”) in July 2017. The Group is in the final stage of the application to be participants of Hong Kong Exchanges and Clearing Limited for Type 1 Licence and Type 2 Licence, and has not recorded any revenue in the period under review.

The segment is also made up of South China Wealth Advisory Limited (“SCWA”), who has membership of Professional Insurance Brokers Association (“PIBA”) and is a Mandatory Provident Fund (“MPF”) principal intermediary under MPF Schemes Ordinance (“MPFSO”). SCWA has not recorded any revenue in the period under review.

The directors considered that the key risk exposures of our investment advisory, 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 consideration for the land use rights is RMB1,176.8 million and RMB235.4 million land premium was paid.

Since the local government failed to perform its obligations in carrying out site demolition work and occupants relocation and the delivering vacant possession of the site to a subsidiary of the Company, the Company and the subsidiary of the Company commenced legal proceedings against Shenyang City Huanggu Region Construction Administration Bureau (瀋陽市皇姑區城市建設局) and Shenyang Land Reserve & Exchange Centre (瀋陽市土地交易中心) (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. 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 ruled in our favor, and the ruling on 4 May 2016 was upheld, that the Shenyang Bureau is required to pay to the Company’s subsidiary the compensation and reliefs. The Group received full amount of the said land premium and the said compensation and reliefs in full from Shenyang Bureau.

### *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 2014, the Group won a bid at the tender for the acquisition of the land (the “Second Land Site”) 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 87,000 square metres. The consideration for the land acquisition, which amounted to RMB15.5 million, has been paid in full. This newly acquired land, being the second phase of the Huanghua New City property development project (the “Project”), will further provide commercial/retail/office/hotel facilities. The Group obtained the State-owned Land Use Right Certificate and the Land Use Permit in prior years and has further obtained the Construction Planning Permit in July 2018.

On 7 September 2018, the Group received a notice from 滄州市國土資源局 (Cangzhou City Land Resources Bureau) (the “Cangzhou Land Bureau”) regarding the repossession of the Second Land Site. The Company has taken available means including but not limited to legal actions against the Cangzhou Land Bureau, and will take necessary measures to safeguard the Company’s legal rights and interest in the Second Land Site.

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**

During the nine months ended 30 September 2018, the Group did not make any material acquisition and disposal of subsidiaries and associates.

## **PROSPECTS**

Management believes it is 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 2019 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 a “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 2015.

SCA is structuring close-end private funds with various investment strategies and asset classes to meet our clients’ investment needs and risk appetites. SCA has been in on-going discussion with potential investors for engagement as investment manager to provide tailor-made discretionary portfolio and management solutions which will then generate revenue upon successful rollout.

SCFC has devised a new market positioning strategy during the period under review. The move is to tap into customer segments with better credibility background in order to build a healthy loan portfolio. SCFC has tightened its credit approval and strategy of new loan and loan refinancing applications. The Group has also strengthened its debt collection functions to provide safeguard to the Group for excessive credit risk. To grasp more business opportunities, SCFC has begun to enlarge its sales force and has recently appointed new heads to take charge of its money lending business in the second half of 2018. SCFC will further explore new funding sources to cope with growing needs of personal loan market.

SCWA is the member of PIBA and is a MPF principal intermediary under MPFSO. The Group has recently appointed a licence holder in July 2018 to start exploring and developing sales channels to commence wealth management business.

In addition to the Group's successful application for Type 1 Licence in October 2016, the Group was granted Type 2 Licence by the SFC in July 2017. The Group is in the final stage of the application to be participants of Hong Kong Exchanges and Clearing Limited for Type 1 Licence and Type 2 Licence, and in the process of setting up front-line trading and back-end settlement systems for the business to commence about the end of the year. The new business will mainly focus on providing dealing services of securities and futures to discretionary accounts without margin financing to minimise the burden on working capital.

**(b) Property development business**

The Group's projects on hand have an aggregate site area of approximately 72,000 square meters. 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. The Group has recently set up new teams with PRC property expertise to conduct feasibility study for potential commencement of development.

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

As at 30 September 2018, 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>		
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. 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 Earntrade Investments Limited ("Earntrade"), 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 Earntrade 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 63.24% 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 Earntrade.
- (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".

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 September 2018.

## **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 30 September 2018 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>
Earntrade	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 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.

Apart from the forgoing, as at 30 September 2018, 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 are unlisted. Particulars and movements of the outstanding share options granted under the Share Option Scheme during the nine months ended 30 September 2018 were as follows:

Name or category of participant	Number of share options					Balance as at 30/09/2018	Date of grant of share options (DD/MM/YYYY)	Exercisable period of share options (Note i)	Price of shares		
	Balance as at 01/01/2018	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\$
<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. 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>139,736,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>139,736,000</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>195,632,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,632,000</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 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 and provision of investment advisory or asset management services.

Mr. Ng, Ms. Cheung, and 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, 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 63.24% interest in SCHC and Mr. Ng holds 29.36% interest in SCF.

Ms. Cheung and Mr. Gorges hold 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 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 nine months ended 30 September 2018.

## **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) and Ms. Pong Scarlett Oi Lan, BBS, J.P. and a Non-executive Director, namely Mr. Ng Yuk Yeung Paul.

The Group's quarterly report for the nine months ended 30 September 2018 has not been audited, but has been reviewed by the Audit Committee, which was of the opinion that the preparation of such quarterly 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, 6 November 2018

*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 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.*