



**SOUTH CHINA ASSETS HOLDINGS LIMITED**  
**南華資產控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 08155)**

**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

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

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

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

## INTERIM RESULTS

The board of directors (the “Board”) of South China Assets Holdings Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months and six months ended 30 June 2019 together with the relevant comparative figures as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	2	8,570	191	8,836	328
Cost of sales		(7,266)	-	(7,266)	-
Other operating income	3	426	-	1,117	995
Fair value loss on financial assets at fair value through profit or loss		(387)	(4,836)	(1,161)	(5,320)
Gain on disposal of financial assets		859	-	859	-
Administrative and other operating expenses		(5,798)	(9,432)	(6,888)	(11,834)
Operating loss	5	(3,596)	(14,077)	(4,503)	(15,831)
Finance costs	6	(3,841)	(5,443)	(8,460)	(11,122)
Loss before income tax		(7,437)	(19,520)	(12,963)	(26,953)
Income tax expense	7	-	-	-	-
<b>Loss for the period attributable to the equity holders of the Company</b>		<b>(7,437)</b>	<b>(19,520)</b>	<b>(12,963)</b>	<b>(26,953)</b>
<b>Loss per share attributable to the equity holders of the Company for the period</b>					
Basic and diluted	9	<b>HK(0.07) cent</b>	HK(0.18) cent	<b>HK(0.12) cent</b>	HK(0.24) cent

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
<b>Loss for the period</b>	<b>(7,437)</b>	(19,520)	<b>(12,963)</b>	(26,953)
<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>(9,291)</b>	(43,764)	<b>(9,487)</b>	(51,316)
Release of financial assets revaluation reserve upon disposal of financial assets	-	1,612	-	2,224
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of financial statements of overseas subsidiaries	<b>(3,186)</b>	(11,070)	<b>(30)</b>	(3,617)
<b>Total comprehensive income for the period attributable to the equity holders of the Company</b>	<b><u>(19,914)</u></b>	<u>(72,742)</u>	<b><u>(22,480)</u></b>	<u>(79,662)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>104</b>	156
Goodwill		<b>16,171</b>	16,184
Loans receivable	<i>10</i>	<b>948</b>	1,048
Deposits paid		<b>-</b>	89
Financial assets at fair value through other comprehensive income		<b>192,189</b>	202,519
		<b>209,412</b>	219,996
<b>Current assets</b>			
Loans receivable	<i>10</i>	<b>1,622</b>	1,496
Properties under development		<b>119,141</b>	132,362
Financial assets at fair value through profit or loss		<b>17,410</b>	18,572
Deposits paid, prepayments and other receivables		<b>23,780</b>	26,923
Tax recoverable		<b>722</b>	722
Cash and bank balances		<b>22,920</b>	177,393
		<b>185,595</b>	357,468
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>1,594</b>	1,595
Other payables, accrued expenses and receipts in advance	<i>12</i>	<b>117,151</b>	151,363
Contract liabilities		<b>8,368</b>	15,607
Interest-bearing bank borrowing		<b>4,000</b>	4,000
Loan from a related company		<b>3,615</b>	3,620
		<b>134,728</b>	176,185
<b>Net current assets</b>		<b>50,867</b>	181,283
<b>Total assets less current liabilities</b>		<b>260,279</b>	401,279
<b>Non-current liabilities</b>			
Loans from shareholders		<b>245,500</b>	364,020
<b>Net assets</b>		<b>14,779</b>	37,259
<b>EQUITY</b>			
<b>Equity attributable to the equity holders of the Company</b>			
Share capital		<b>111,785</b>	111,785
Reserves		<b>(97,006)</b>	(74,526)
<b>Total equity</b>		<b>14,779</b>	37,259

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 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	-	-	-	-	-	-	-	(763)	(763)
Recognition of equity settled share-based compensation	-	-	-	-	-	954	-	-	954
Transaction with owners	-	-	-	-	-	954	-	(763)	191
<b>Comprehensive income</b>									
Loss for the period	-	-	-	-	-	-	-	(26,953)	(26,953)
<b>Other comprehensive income</b>									
Changes in fair value of financial assets	-	-	-	(51,316)	-	-	-	-	(51,316)
Release of reserve upon disposal of financial assets	-	-	-	2,224	-	-	-	-	2,224
Exchange realignment	-	-	-	-	-	-	(3,617)	-	(3,617)
Total comprehensive income for the period	-	-	-	(49,092)	-	-	(3,617)	(26,953)	(79,662)
<b>At 30 June 2018 (unaudited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(112,139)</u>	<u>-</u>	<u>23,371</u>	<u>12,318</u>	<u>74,808</u>	<u>95,996</u>
<b>At 31 December 2018 and 1 January 2019 (audited)</b>	111,785	(20,191)	6,044	(168,855)	-	23,848	(1,503)	86,131	37,259
<b>Transfer between reserves</b>									
Release of reserve upon disposal of financial assets	-	-	-	1,178	-	-	-	(1,178)	-
Transfer between reserves	-	-	-	1,178	-	-	-	(1,178)	-
<b>Comprehensive income</b>									
Loss for the period	-	-	-	-	-	-	-	(12,963)	(12,963)
<b>Other comprehensive income</b>									
Changes in fair value of financial assets	-	-	-	(9,487)	-	-	-	-	(9,487)
Exchange realignment	-	-	-	-	-	-	(30)	-	(30)
Total comprehensive income for the period	-	-	-	(9,487)	-	-	(30)	(12,963)	(22,480)
<b>At 30 June 2019 (unaudited)</b>	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(177,164)</u>	<u>-</u>	<u>23,848</u>	<u>(1,533)</u>	<u>71,990</u>	<u>14,779</u>

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

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash generated from operating activities	<b>4,538</b>	131,445
Net cash generated from investing activities	<b>2,443</b>	5,880
Net cash used in financing activities	<b>(161,468)</b>	(91,298)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	<b>(154,487)</b>	46,027
Cash and cash equivalents, beginning of the period	<b>177,393</b>	190,577
Effect of foreign exchange rate changes	<b>14</b>	(8,823)
	<hr/>	<hr/>
Cash and cash equivalents, end of the period	<b><u>22,920</u></b>	<u>227,781</u>
	<hr/>	<hr/>
Analysis of the cash and cash equivalents		
Cash and bank balances	<b><u>22,920</u></b>	<u>227,781</u>

Notes:

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 2018 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 2019, as disclosed in the annual financial statements for the year ended 31 December 2018. The adoption of 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 2018.

## 2. REVENUE

Revenue derived from the Group's principal activities recognised during the period are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>				
Sale of properties	7,683	–	7,683	–
Rendering of services	623	–	623	–
Interest income from money lender business	264	191	530	328
	<u>8,570</u>	<u>191</u>	<u>8,836</u>	<u>328</u>

## 3. OTHER OPERATING INCOME

During the three months and six months ended 30 June 2019, other operating income mainly represents bad debts recovered and bank interest income.

During the three months and six months ended 30 June 2018, other operating income mainly represents 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 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 for the Group's operating segments for the six months ended 30 June 2019 and 30 June 2018:

##### For the six months ended 30 June 2019

	<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>1,153</u>	<u>7,683</u>	<u>8,836</u>
<b>Segment results</b>	<u><b>(1,632)</b></u>	<u><b>(7,121)</b></u>	<b>(8,753)</b>
Unallocated corporate income			<b>4,801</b>
Unallocated corporate expenses			<b>(545)</b>
Fair value loss on financial assets at fair value through profit or loss			<b>(1,161)</b>
Gain on disposal of financial assets			<b>859</b>
Unallocated finance costs			<u><b>(8,164)</b></u>
Loss before income tax			<b>(12,963)</b>
Income tax expense			<u>-</u>
Loss for the period			<u><b>(12,963)</b></u>



#### 4. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2018

	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	328	–	328
<b>Segment results</b>	<u>(2,410)</u>	<u>(201)</u>	(2,611)
Unallocated corporate income			797
Unallocated corporate expenses			(8,758)
Fair value loss on financial assets at fair value through profit or loss			(5,320)
Unallocated finance costs			<u>(11,061)</u>
Loss before income tax			(26,953)
Income tax expense			<u>–</u>
Loss for the period			<u>(26,953)</u>

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

As at 30 June 2019

	Financial Services <i>HK\$'000</i> (unaudited)	Property Development <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Segment assets</b>	<b>23,949</b>	<b>160,863</b>	<b>184,812</b>
Financial assets at fair value through other comprehensive income			<b>192,189</b>
Financial assets at fair value through profit or loss			<b>17,410</b>
Other corporate assets			<u><b>596</b></u>
<b>Total assets</b>			<u><b>395,007</b></u>
<b>Segment liabilities</b>	<b>5,087</b>	<b>14,924</b>	<b>20,011</b>
Loans from shareholders			<b>245,500</b>
Other corporate liabilities			<u><b>114,717</b></u>
<b>Total liabilities</b>			<u><b>380,228</b></u>

#### 4. SEGMENT INFORMATION (Continued)

As at 31 December 2018

	Financial Services <i>HK\$'000</i> (unaudited)	Property Development <i>HK\$'000</i> (unaudited)	Consolidated <i>HK\$'000</i> (unaudited)
<b>Segment assets</b>	23,313	134,031	157,344
Financial assets at fair value through other comprehensive income			202,519
Financial assets at fair value through profit or loss			18,572
Other corporate assets			199,029
<b>Total assets</b>			<u>577,464</u>
<b>Segment liabilities</b>	5,202	22,583	27,785
Loans from shareholders			364,020
Other corporate liabilities			148,400
<b>Total liabilities</b>			<u>540,205</u>

During the six months ended 30 June 2019 and 30 June 2018, revenue from financial services segment are attributable to a single geographical region, Hong Kong and revenue from property development segment are attributable to a single geographical region, the PRC. The Group did not depend on any single customer under the segments for the six months ended 30 June 2019 and 30 June 2018.

#### 5. OPERATING LOSS

	Three months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Operating loss is arrived at after charging/(crediting):				
Depreciation	24	65	55	134
Less: Depreciation capitalised in properties under development	(1)	(7)	(4)	(13)
	<u>23</u>	<u>58</u>	<u>51</u>	<u>121</u>
Employee benefit expense (including directors' emoluments)	1,373	2,344	2,683	4,774
Less: Employee benefit expense capitalised in properties under development	(132)	(113)	(211)	(191)
	<u>1,241</u>	<u>2,231</u>	<u>2,472</u>	<u>4,583</u>
Exchange (gains)/losses, net	<u>(178)</u>	<u>6,415</u>	<u>(4,061)</u>	<u>3,971</u>

## 6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Interest charged on bank borrowing	44	32	82	61
Interest charged on loan from a related company	107	–	214	–
Interest charged on loans from shareholders	3,690	5,411	8,164	11,061
	<u>3,841</u>	<u>5,443</u>	<u>8,460</u>	<u>11,112</u>

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits arising in or derived from Hong Kong during the three months and six months ended 30 June 2019 and 30 June 2018.

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 six months ended 30 June 2019 and 30 June 2018.

## 8. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 9. 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:

	Three months ended 30 June		Six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Unaudited loss attributable to the equity holders of the Company used in the basic loss per share calculation	<u>(7,437)</u>	<u>(19,520)</u>	<u>(12,963)</u>	<u>(26,953)</u>
	Three months ended 30 June		Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (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 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>

## 9. LOSS PER SHARE (Continued)

Diluted loss per share for the three and six months ended 30 June 2019 and 30 June 2018 were the same as the basic loss per share. The Company's share options have no dilution effect for the three months and six months ended 30 June 2019 and 30 June 2018 because the exercise prices of the Company's share options were higher than the average market prices of the shares for both periods.

## 10. LOANS RECEIVABLE

Loans receivable bear interest at rates determined on case by case basis and have credit periods mutually agreed between the contractual parties. Each customer has a credit limit. The Group maintains strict control over its outstanding loans receivable and a credit control department has been established to monitor potential credit risk. Overdue balances are reviewed regularly by the senior management and are handled closely by the credit control department. The Group's loans receivable relate to a diversified portfolio of customers. As such, there is no significant concentration of credit risk.

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Loans receivable	<b>10,743</b>	10,501
Less: provision for impairment loss	<b>(8,173)</b>	(7,957)
	<b>2,570</b>	2,544
Less: Non-current portion	<b>(948)</b>	(1,048)
Current portion	<b>1,622</b>	1,496

## 11. TRADE PAYABLES

The following is an ageing analysis of trade payables:

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Over 180 days	<b>1,594</b>	1,595

## 12. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

As at 30 June 2019, other payables, accrued expenses and receipts in advance included accrued interest expenses on the loans from shareholders of HK\$112,723,000 (As at 31 December 2018: HK\$147,210,000) in respect of the loans made available to the Group in prior years.

The loans from shareholders are unsecured and carried interest at the prime lending rate as quoted by The Hong Kong and Shanghai Bank Corporation Limited from time to time, except for the loans from shareholders amounted to HK\$3,500,000 (As at 31 December 2018: HK\$3,500,000) in aggregate which is interest free. Details about the terms of the loans from shareholders have been set out in the audited consolidated financial statements of the Company for the year ended 31 December 2018.

## **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 six months ended 30 June 2019 of HK\$8.8 million (six months ended 30 June 2018: HK\$0.3 million) and HK\$13 million (six months ended 30 June 2018: HK\$27 million), respectively.

The loss attributable to the equity holders of the Company for the six months ended 30 June 2019 decreased mainly because both of our financial services and property development segments began to generate revenue in the period. Also an increase in other operating income, decrease in fair value loss on financial assets at fair value through profit or loss and efforts in containing costs contributed to the decrease in loss for the period under review.

### **FINANCIAL REVIEW**

During the period under review, financial services business commenced to render consultancy and advisory services to generate revenue of approximately HK\$623,000 (six months ended 30 June 2018: Nil). Money lending business has generated revenue of approximately HK\$530,000 (six months ended 30 June 2018: HK\$328,000). The property development segment recorded revenue of HK\$7.7 million (six months ended 30 June 2018: Nil) from external customers as certain parts of the property development project located in Cangzhou Bohai New District Zhongjie Industrial Park District (滄州渤海新區中捷產業園區) (“Zhongjie Project”) were completed during the period under review.

For the six months ended 30 June 2019, the fair value loss on financial assets at fair value through profit or loss was HK\$1.2 million (six months ended 30 June 2018: HK\$5.3 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”).

Other operating income amounted to HK\$1.1 million (six months ended 30 June 2018: HK\$1 million) for the period under review and such increase was due to increase in fixed deposit interest income. Administrative and other operating expenses amounted to HK\$6.9 million (six months ended 30 June 2018: HK\$11.8 million) for the period under review and such decrease was a result of cost containing efforts. Finance costs amounted to HK\$8.5m (six months ended 30 June 2018: HK\$11.1 million) for the period under review and such decrease was due to certain shareholders’ loans being repaid during year 2018 and 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 rendered investment advisory services to the setup of an investment project and recorded revenue of approximately HK\$273,000 in the period under review (six months ended 30 June 2018: Nil).

The Group also carries out money lending business under 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. SCFC appointed new head to take charge of its money lending business in the second half of 2018 with a new market positioning strategy. The move is to tap into customer segments with better credibility background in order to build a healthy loan portfolio. The gross loan portfolio of the money lending business amounted to HK\$10.7 million as at 30 June 2019. 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.

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 rendered consultancy services and recorded revenue of approximately HK\$350,000 in the period under review (six months ended 30 June 2018: Nil).

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**

The Huanghua New City (黃驊新城) property development project, with a site area of 32,336 sq. m., is a commercial and retail development to provide shopping mall, entertainment, dining and recreational facilities having a total gross floor area (“GFA”) of approximately 45,000 sq. m.. 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 construction works will 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 another land site (the “Second Land Site”) adjacent to the Huanghua New City project, with a site area of 32,921 sq. m. and allowable GFA of approximately 87,000 sq. m.. The Second Land Site has been planned as the second phase of the Huanghua New City property development project (the “2nd Phase Project”), which will further provide commercial, retail, office, and hotel facilities for enhancement of variety of facilities of the whole Huanghua New City project. The Group obtained the State-owned Land Use Right Certificate and the Land Use Permit in prior years and further obtained the Construction Planning Permit in July 2018.

On 7 September 2018, the Group received a notice from Cangzhou City Land Resources Bureau (滄州市國土資源局) (“Cangzhou Land Bureau”) to request the repossession of the Second Land Site (the “Repossession”). The Group subsequently filed an appeal in form of an application for administrative review to Hebei Province Land Resources Bureau (河北省國土資源局) (“Hebei Land Bureau”), the provincial authority to which Cangzhou Land Bureau is reporting. On 24 December 2018, Hebei Land Bureau notified the Group and Cangzhou Land Bureau that the administrative review process shall be temporarily suspended to allow both parties to discuss for settlement of the dispute.

The Group would resume the administrative review process on the Repossession if no acceptable solution is reached with Cangzhou Land Bureau. The Group would take all necessary measures, including but not limited to initiate legal proceedings against Cangzhou Land Bureau, to safeguard the Company’s legal rights and interest in the Second Land Site if the result of the administrative review is not favourable to the Group. Up to the date of this announcement, the Group was still in the process of negotiating with Cangzhou Land Bureau.

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.

## INVESTMENT PORTFOLIO

The Group's investment portfolio consists of ordinary shares and RCPSs of 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.

<b>Stock code</b>	<b>Name of security</b>	<b>Carrying value as at 30 June 2019</b> <i>HK\$'000</i>	<b>Fair value loss during the Period</b> <i>HK\$'000</i>
00413	South China Holdings Company Limited ("SCHC")		
	— Ordinary shares	55,643	3,711
	— RCPSs	153,956	6,937
		<u>209,599</u>	<u>10,648</u>

The principal business of SCHC includes trading and manufacturing, property investment and development, agriculture and forestry.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had a current ratio of 1.4 and a gearing ratio of 27.1%. The gearing ratio is computed by comparing the Group's bank borrowing to the Group's total equity. As at 31 December 2018, the Group had a current ratio of 2.0 and a gearing ratio of 10.7%. The Group financed its operations and investments by internal resources and bank borrowings.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the six months ended 30 June 2019, the Group did not make any material acquisition and disposal of subsidiaries and associates.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES OR ANY RELATED HEDGES

During the six months ended 30 June 2019, the Group had no significant exposure to fluctuations in foreign exchange rates or any related hedges.

## PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no pledge of assets and contingent liabilities.



## **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 global macroeconomic environment, the trade war 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 Bay Area and potentially in entire 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 structured customer segments with better credibility background in year 2018. SCFC also improved its credit approval and debt collection function. As a result, bad debts recovery increased and impairment on loans was significant reduced during the period under review. In 2019, SCFC will continue to implement and improve policy to manage its credit risk, and it is expected that personal loan business would expand steadily. To grasp more business opportunities, SCFC will further expand sourcing channels of customer. SCFC will also 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 started 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 has commenced business in the second quarter of 2019 and will mainly focus on providing dealing services of securities to discretionary accounts without margin finance to minimise the burden on working capital. In addition, the Group had applied and is expecting the Hong Kong Exchanges and Clearing Limited to grant trading right and clearing participant for carrying out Type 1 services.

## (b) Property development business

The Group's project on hand has aggregate site area of approximately 75,000 square meters. As mentioned in the section "BUSINESS REVIEW", the first phase of the Huanghua New City property development project will be commenced after obtaining the Construction Permit.

Following the completion of certain parts of the Zhongjie Project during the period under review, the Group recorded revenue of HK\$7.7 million and will continue to complete the remaining parts of the Zhongjie Project in the second half of 2019.

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

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

As at 30 June 2019, the interests and short positions of the directors of the Company (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

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

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

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

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

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of underlying Shares</b>	<b>Approximate percentage of total interests to total issued Shares</b>
Ms. Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	55,896,000 (Note (b))	0.50%
Mr. Paul Ng	Beneficial owner	83,840,000 (Note (b))	0.75%

*Notes:*

- (a) 5,925,861,298 Shares held by Mr. Ng through controlled corporations include 1,088,784,847 Shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 Shares held by Eartrade Investments Limited ("Eartrade"), 1,817,140,364 Shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 Shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 Shares held by Ronastar Investments Limited ("Ronastar"), 65,104,000 Shares held by Green Orient Investments Limited ("Green Orient"). Fung Shing, Parkfield and Ronastar were all directly wholly-owned by Mr. Ng. Mr. Ng holds Green Orient indirectly via South China Holdings Company Limited ("SCHC"). Bannock was a wholly-owned subsidiary of Eartrade which was directly owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges and 20% by Ms. Cheung. SCHC was owned as to approximately to 63.25% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and Eartrade.
- (b) The respective underlying Shares held by Ms. Cheung and Mr. Paul Ng were the share options granted to them on 1 October 2013 under the share option scheme adopted by the Company on 8 May 2012 (the "Share Option Scheme"). For more details, please refer to the section headed "Share Option Scheme".

Apart from the foregoing, none of the Directors or any of their spouses or children under eighteen years of age had interests or short positions in the Shares, underlying Shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company pursuant to the required standard of dealings by Directors as referred to Rules 5.48 to 5.67 of the GEM Listing Rules, at 30 June 2019.

## 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 June 2019 amounting to 5% or more of the Shares in issue:

### Long positions in Shares

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

#### Notes:

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

Apart from the forgoing, as at 30 June 2019, 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 purposed of purchase of shares as referred to in the above.

## SHARE OPTION SCHEME

The Company adopted a Share Option Scheme in May 2012 for the purpose of providing incentives and rewards to eligible participants, who contribute to the success of the Group's operations, and retaining such participants for their continuing support to the Group. The shares options granted under the Scheme is unlisted. Particulars and movements of the outstanding share options granted under the Share Option Scheme during the six months ended 30 June 2019 were as follows:

Name or category of participant	Number of share options					Balance as at 30/06/2019	Date of grant of share options (DD/MM/YYYY)	Exercisable period of share options (Note i)	Price of shares		
	Balance as at 01/01/2019	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>Others</b>											
Mr. Ng Yuk Fung Peter	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A
Sub-total	<u>55,896,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,896,000</u>					
Total	<u>195,632,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,632,000</u>					

## SHARE OPTION SCHEME (Continued)

Notes:

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

<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 and dealing in securities.

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

Mr. Ng is the chairman of the board and controlling shareholder of SCHC, is also chairman of board and substantial shareholder of SCF. Mr. Gorges and Ms. Cheung are substantial shareholders of a controlled corporation of Mr. Ng, together with his associates, holds approximately 63.25% interests in SCHC and Mr. Ng holds approximately 29.36% interests in SCF.

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

The Group seeks to undertake property development projects in smaller size and diversify into the financial services businesses while SCHC mainly focuses on the medium to large scale property investment and development projects.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESSES (Continued)**

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 six months ended 30 June 2019.

## **SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Company has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its code of conduct regarding securities transactions by Directors. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside information in relation to the Group or its securities.

In response to the Company's specific enquiry, all Directors of the Company confirmed that they have complied with the required standard of dealing and its code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2019.

## **CHANGES TO INFORMATION IN RESPECT OF DIRECTORS**

In accordance with GEM Rule 17.50A(1), the changes to information required to be disclosed pursuant to paragraphs (a) to (e) and (g) of GEM Rule 17.50(2) of the GEM Listing Rules during the course of the Directors' terms of office for the period from date of publication of the Company's latest annual report up to the date of this interim report is set out below:

Ms. Jessica Ng has been appointed as non-executive director of i-CABLE Communications Limited, a company listed on the main board of the Stock Exchange with effect from 2 July 2019.

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2019 except that Mr. Ng, an Executive Director and the Chairman of the Board of the Company, Ms. Cheung, an Executive Director of the Company, Mr. Paul Ng, a Non-executive Director of the Company and Ms. Pong Scarlett Oi Lan, BBS, J.P., an Independent Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 18 June 2019, which deviated from code provisions E.1.2 and A.6.7 of CG Code as they had other business engagements.

## **AUDIT COMMITTEE**

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee presently comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee) and Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang and a Non-executive Director, namely Mr. Paul Ng.

The Group's interim results for the six months ended 30 June 2019 has not been audited, but has been reviewed by the Audit Committee, which was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

By Order of the Board  
**South China Assets Holdings Limited**  
南華資產控股有限公司  
**Ng Hung Sang**  
*Chairman and Executive Director*

Hong Kong, 6 August 2019

*As at the date of this report, the directors of the Company are (1) Mr. Ng Hung Sang, Ms. Cheung Choi Ngor, Mr. Richard Howard Gorges and Ms. Ng Yuk Mui Jessica as executive directors; (2) Mr. Ng Yuk Yeung Paul as non-executive director; and (3) Mr. Cheng Hong Kei, Ms. Pong Scarlett Oi Lan, BBS, J.P. and Mr. Yeung Chi Hang as independent non-executive directors.*