



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 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.

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 2019 together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	2	259	182	9,095	510
Cost of sales		-	-	(7,266)	-
Other operating income	3	137	412	1,254	1,407
Fair value gain/(loss) on financial assets at fair value through profit or loss		1,741	(4,836)	580	(10,156)
Gain on disposal of financial assets		954	-	1,813	-
Administrative and other operating expenses		(3,941)	(4,207)	(10,829)	(16,041)
Operating loss		(850)	(8,449)	(5,353)	(24,280)
Finance costs		(3,232)	(4,921)	(11,692)	(16,056)
Loss before income tax		(4,082)	(13,370)	(17,045)	(40,336)
Income tax credit	5	-	23,107	-	23,107
(Loss)/profit for the period attributable to the equity holders of the Company		(4,082)	9,737	(17,045)	(17,229)
(Loss)/earnings per share attributable to the equity holders of the Company for the period					
Basic and diluted	7	HK(0.04) cent	HK0.09 cent	HK(0.15) cent	HK(0.16) cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	(4,082)	9,737	(17,045)	(17,229)
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	42,100	(43,638)	32,613	(94,954)
Release of financial assets revaluation reserve upon disposal of financial assets	-	3,170	-	5,394
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of financial statements of overseas subsidiaries	323	(9,625)	293	(13,242)
Total comprehensive income for the period attributable to the equity holders of the Company	<u>38,341</u>	<u>(40,356)</u>	<u>15,861</u>	<u>(120,031)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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
At 31 December 2017 and 1 January 2018 (audited)	111,785	(20,191)	6,044	-	(59,942)	22,417	15,935	99,419	175,467
Change in accounting policy									
Adoption of HKFRS 9	-	-	-	(63,047)	59,942	-	-	3,105	-
Transaction with owners									
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)
Comprehensive income									
Loss for the period	-	-	-	-	-	-	-	(17,229)	(17,229)
Other comprehensive income									
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)
At 30 September 2018 (unaudited)	<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>
At 31 December 2018 and 1 January 2019 (audited)	111,785	(20,191)	6,044	(168,855)	-	23,848	(1,503)	86,131	37,259
Transfer between reserves									
Release of reserve upon disposal of financial assets	-	-	-	2,601	-	-	-	(2,601)	-
Transfer between reserves	-	-	-	2,601	-	-	-	(2,601)	-
Comprehensive income									
Loss for the period	-	-	-	-	-	-	-	(17,045)	(17,045)
Other comprehensive income									
Changes in fair value of financial assets	-	-	-	32,613	-	-	-	-	32,613
Exchange realignment	-	-	-	-	-	-	293	-	293
Total comprehensive income for the period	-	-	-	32,613	-	-	293	(17,045)	15,861
At 30 September 2019 (unaudited)	<u>111,785</u>	<u>(20,191)</u>	<u>6,044</u>	<u>(133,641)</u>	<u>-</u>	<u>23,848</u>	<u>(1,210)</u>	<u>66,485</u>	<u>53,120</u>

Notes:

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 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.

2. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)	2019 HK\$’000 (Unaudited)	2018 HK\$’000 (Unaudited)
Revenue				
Sale of properties	-	-	7,683	-
Rendering of services	-	-	623	-
Interest income from money lender business	259	182	789	510
	<u>259</u>	<u>182</u>	<u>9,095</u>	<u>510</u>

3. OTHER OPERATING INCOME

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

During the three months and nine months ended 30 September 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:

- the financial services segment which is engaged in provision of investment advisory and asset management services and money lending business; and
- 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 nine months ended 30 September 2019 and 30 September 2018:

For the nine months ended 30 September 2019

	Financial Services HK\$'000 (unaudited)	Property Development HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue:			
Revenue from external customers	<u>1,412</u>	<u>7,683</u>	<u>9,095</u>
Segment results	<u>(2,201)</u>	<u>(7,646)</u>	(9,847)
Unallocated corporate income			4,801
Unallocated corporate expenses			(3,102)
Fair value loss on financial assets at fair value through profit or loss			580
Gain on disposal of financial assets			1,813
Unallocated finance costs			<u>(11,290)</u>
Loss before income tax			(17,045)
Income tax expense			<u>-</u>
Loss for the period			<u>(17,045)</u>

For the nine months ended 30 September 2018

	Financial Services HK\$'000 (unaudited)	Property Development HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue:			
Revenue from external customers	<u>510</u>	<u>-</u>	<u>510</u>
Segment results	<u>(3,457)</u>	<u>2,504</u>	(953)
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 credit			<u>23,107</u>
Loss for the period			<u>(17,229)</u>

The Group did not depend on any single customer under the segments for the nine months ended 30 September 2019 and 30 September 2018.

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 2019 and 30 September 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 nine months ended 30 September 2019 and 30 September 2018.

6. INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 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 2019 HK\$'000 (Unaudited)		2018 HK\$'000 (Unaudited)	Nine months ended 30 September 2019 HK\$'000 (Unaudited)		2018 HK\$'000 (Unaudited)
Unaudited (loss)/profit attributable to the equity holders of the Company used in the basic (loss)/earnings per share calculation	<u>(4,082)</u>	<u>9,737</u>		<u>(17,045)</u>	<u>(17,229)</u>	
	Three months ended 30 September 2019 (Unaudited)		2018 (Unaudited)	Nine months ended 30 September 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)/earnings per share calculation	<u>11,009,335,226</u>	<u>11,009,335,226</u>		<u>11,009,335,226</u>	<u>11,009,335,226</u>	

Diluted (loss)/earnings per share for the nine months ended 30 September 2019 and 30 September 2018 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 2019 and 30 September 2018 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

South China Assets Holdings Limited and its subsidiaries (collectively, the “Group”) is an investment and operating group which aims at exploring and investing in businesses and projects that give long term value and profit to shareholders. These businesses include, but not limited to, financial services and property development which both of them are the principal businesses of the Group in the period under review.

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 2019 of HK\$9.1 million (nine months ended 30 September 2018: HK\$0.5 million) and HK\$17.0 million (nine months ended 30 September 2018: loss of HK\$17.2 million), respectively.

The loss attributable to the equity holders of the Company for the nine months ended 30 September 2019 has decreased as compared to same period of last year. It is mainly because both of our financial services and property development segments have generated revenue in the period. Also, the fair value gain on financial assets at fair value through profit or loss and management’s efforts in containing costs contributed to the decrease in loss for the period under review.

FINANCIAL REVIEW

The financial services segment has commenced to render services and generated revenue in the period under review. Money lending business has generated revenue of approximately HK\$0.8 million. The property development segment has recorded revenue of HK\$7.7 million 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 nine months ended 30 September 2019, the fair value gain on financial assets at fair value through profit or loss was HK\$0.6 million as compared to a loss of HK\$10.2 million in the same period of last year. The fair value gain mainly resulted from the movements in the share price of South China Holdings Company Limited (“SCHC”).

Other operating income amounted to HK\$1.3 million for the period under review. Administrative and other operating expenses amounted to HK\$10.8 million for the period under review, the decrease by HK\$5.2 million as compared to same period of last year was a result of cost containing efforts. Finance costs amounted to HK\$11.7 million for the period under review, the decrease by HK\$4.4 million as compared to same period of last year was due to certain shareholders’ loans being repaid in year 2018 and the period under review.

BUSINESS REVIEW

(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 begins to render investment advisory services and generate revenue.

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 mainly unsecured personal loans, tax loans, small business loans, specialised lending and debt consolidation to independent external customers. 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 has successfully tapped into customer segments with better credibility background in order to build a healthy loan portfolio. The gross loan portfolio has gradually increased and amounted to HK\$11.6 million as at 30 September 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 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) for this land site which has been planned as the first phase of the Huanghua New City property development project (the “1st Phase Project”).

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 2nd Phase Project 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.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

PROSPECTS

(a) Financial services

As a result of improved credit approval and debt collection processes implemented since late 2018, significant bad debts have been recovered and impairment on loans has been significantly reduced during the period under review. The money lending business has picked up its momentum and it is foreseeable to provide significant contribution in the fourth quarter of 2019 onwards.

The Group has started to plan for the year of 2020 which is going to be another challenging year given the dynamic changes in both macroeconomic environment and policy changes in both Hong Kong and PRC. Despite the challenges, management has identified certain new opportunities for a steady growth.

The Group's investment arm, SCA is structuring close-end private funds with various investment strategies and asset classes to meet our clients' investment needs and risk appetites. SCA is now in the final stage with a number of potential investors for engagement as investment manager to provide tailor-made discretionary portfolio and management solutions which will then generate revenue upon rollout.

(b) Property development business

The Huanghua New City 1st Phase Project as mentioned in "Business Review" has been resumed its planning and development and expect to generate cashflow in 2021.

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 recognise the remaining unrecorded revenue of the Zhongjie Project in 2019 and 2020.

To relieve the burden on capital resources, the Group has been splitting large scale development projects into phases in order to generate value and profit to shareholders over a medium to long time horizon.

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

As at 30 September 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			Total interests	Approximate percentage of total interests to total issued Shares
		Personal interests	Family interests	Corporate interests		
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner/ Interest of spouse/ Interest of controlled corporations	363,393,739	967,923,774	5,925,861,298 (Note (a))	7,257,178,811	64.92%
Mr. Ng Yuk Yeung Paul ("Mr. Paul Ng")	Beneficial owner	2,602,667	-	-	2,602,667	0.02%

(ii) Long positions in underlying Shares

Name of Director	Capacity	Number of underlying Shares	Approximate percentage of total interests to total issued Shares
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 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 and 20% by Mr. Richard Howard Gorges. SCHC was owned as to approximately to 61.22% by Mr. Ng. As such, Mr. Ng was deemed to have interest in the 65,104,000 Shares held by Green Orient and the aggregate 2,238,789,644 Shares held by Bannock and 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".

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

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 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 September 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 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 foregoing, as at 30 September 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 employees' 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 2019 were as follows:

Name or category of participant	Number of share options					Balance as at 30/09/2019	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\$
Directors											
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>					
Others											
Mr. Ng Yuk Fung Peter	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2016-30/09/2023	0.188	0.188	N/A
	16,768,000	-	-	-	-	16,768,000	01/10/2013	01/10/2017-30/09/2023	0.188	0.188	N/A
	22,360,000	-	-	-	-	22,360,000	01/10/2013	01/10/2018-30/09/2023	0.188	0.188	N/A
Sub-total	<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:

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The Company, 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 is substantial shareholder of a controlled corporation of Mr. Ng, together with his associates, holds approximately 61.22% interests in SCHC and Mr. Ng holds approximately 29.36% interests in SCF.

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

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 2019.

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

The Group's quarterly report for the nine months ended 30 September 2019 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, 5 November 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.