大中華集團有限公司
GREAT CHINA HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

■ Stock Code : 141

Annual Report 2018

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. JIANG Tian *(Chairman and Chief Executive)*
Ms. HOU Yingxuan *(Vice-President)*
Mr. GONG Biao *(Vice-President)*
Mr. GAO Keqin

Non-executive Director

Mr. CHAI Yuet

Independent Non-executive Directors

Mr. HU Jianxing
Mr. TSEUNG Yuk Hei Kenneth
Mr. JI Qing

Company Secretary

Ms. HO Wing Yan

Auditor

KPMG
Certified Public Accountants

Legal Adviser

CFN Lawyers
In association with Broad & Bright

Share Registrar

Union Registrars Limited
Suites 3301–04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Registered Office

Room 1512, 15/F.
New World Tower 1
16–18 Queen's Road Central
Hong Kong

Audit Committee

Mr. TSEUNG Yuk Hei Kenneth *(Chairman)*
Mr. HU Jianxing
Mr. JI Qing

Remuneration Committee

Mr. HU Jianxing *(Chairman)*
Mr. GONG Biao
Mr. JI Qing

Nomination Committee

Mr. JIANG Tian *(Chairman)*
Mr. HU Jianxing
Mr. JI Qing

Stock Code

141 (Main Board of The Stock Exchange of Hong Kong Limited)

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I present, on behalf of the board (the "**Board**") of directors (the "**Directors**") of Great China Holdings Limited (the "**Company**"), the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**").

Group Review

During the Year, rental income generated from properties in the People's Republic of China (the "**PRC**") continued to be the major and core sources of the Group's total revenue. Revenue of the Group increased by approximately HK$1.90 million to approximately HK$24.35 million.

As a result of policy control and administrative measures on mortgage lending, the property market in the PRC for the Year had shown a slight downward trend which caused the Group to record a fair value loss of investment properties of approximately HK$3.82 million.

Due to the said fair value loss of investment properties and the absence of increase in fair value of properties transferred from properties held for sales to investment properties during the Year, the Group recorded a loss attributable to owners of the Company of approximately HK$6.70 million.

For the Year, basic and diluted loss per share of the Company (the "**Share**") was HK1.94 cents (2017: earnings per Share was HK15.08 cents).

Business Review

Property business

Residential premises

For the Year, the Group generated revenue of approximately HK$2.43 million (2017: approximately HK$1.65 million) from the leasing of residential premises. The average occupancy rate per unit was approximately 85.42% for the Year (2017: approximately 57.29%). The occupancy rate per unit as at 31 December 2018 was approximately 81.25%. As at 31 December 2018, 12 residential premises (as at 31 December 2017: 12 residential premises) were classified as investment properties, of which a fair value loss on investment properties relating to such residential premises of approximately HK$8.00 million for the Year (2017: fair value gain on investment properties of approximately HK$55.70 million) was recorded. As at 31 December 2018, 4 residential premises (as at 31 December 2017: 4 residential premises) were classified as properties held for sale, which were measured at the lower of cost and net realisable value.

Shops and car parks

For the Year, the Group generated revenue of approximately HK$21.92 million (2017: approximately HK$20.80 million) from the leasing of shops and car parks. The average occupancy rate per unit was 100.00% for the Year (2017: 100.00%). As at 31 December 2018, all shops and car parks were classified as investment properties, of which a fair value gain on investment properties of approximately HK$4.18 million for the Year (2017: approximately HK$3.86 million) was recorded.

Automobile business

The Group has taken steps to diversify into the automobile industry by commencing the construction and renovation of the Sky Fortune Gallop Imported Automobile City 天禧駿馳進口車城 (the "**Automobile City**") during the Year. The Group has also initiated some preliminary works in brand development for the Automobile City through branding focus marketing activities. As it has taken more time than expected to complete renovation work, it is expected that the official launch of the Automobile City will take place in 2019, instead of in the year of 2018. As such, this business segment had not generated any revenue and recorded a loss after tax of approximately HK$2.78 million for the Year, which was mainly attributable to the rental expenses and staff costs incurred.

Regional Information

As the Group did not have material operations outside the PRC during the Year, no geographic segment information is presented.

Prospects

The Central Economic Work Conference was held by the Central Government between 19 to 21 December 2018, which reiterated the message that residential units are for living, not for investment speculation. It would like to establish a long-term real estate mechanism, which will lead to a healthy and sustainable property market development over the medium to long term. The Directors will continue to closely monitor the market conditions and review its leasing strategies, and will seek for quality properties to expand its investment properties business from time to time.

Due to various market uncertainties, including but not limited to, the volatility in currency, the policy control and administration measures on mortgage lending and the China-United States trade conflict, the property market in the PRC for the Year has already shown a slight downward trend. The global market will continue to embrace challenges and adopt adjustments and new opportunities may arise, and the Group will continue to explore further business opportunities, including but not limited to, the automobile industry and/or other industries in order to enhance shareholders' value.

Driven by China's new energy policy, the demand for new energy electric vehicles is expected to continue to grow. We look forward to the forthcoming official launch of the Automobile City in 2019 so as to enable the Group to grasp this business opportunity. The Group's automobile business is expected to expand through its distribution channel, user base expansion, and allocation of more resources in the new energy vehicles portfolios.

Looking into 2019, the Board is still committed to good corporate governance which promotes the long-term interest of stakeholder, strengthens the Board and management accountability and help to build up a public trust. The Board follows strictly with the updated and expected standards of corporate ethics and governance. In addition, we also honour our corporate social responsibilities by addressing the needs of our staff and contributing to the community. As you shall note from the details in the "Environmental, Social and Governance Report", both the management and employees had enjoyed the charitable and other community contributing events during the Year very much.

Lastly, in view of the Group's operating results, the Board did not recommend the payment of a final dividend in respect of the Year.

Despite this, the Company will strive to further enhance the Company's performance and optimise the return for the shareholders.

Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our shareholders, customers, bankers and other business associates for their trust and support.

JIANG Tian
Chairman of the Board

Hong Kong, 26 March 2019

Management Discussion and Analysis

The world economy remained complicated and fast-changing amid sluggish economic growth in the Year. The property markets in the PRC gradually returned to a stable level. The Group made adjustments to the business strategies to secure stable revenue sources and maintain sustainable development of the business in the long term.

Review and Prospects

The details of Group review, business review and prospects are set out in the Chairman's Statement.

Financial review

Revenue of the Group for the Year increased by approximately HK$1.90 million to approximately HK$24.35 million. This was due to the renewal of existing contracts with rental increment and a new 10-year leasing contract relating to seven properties located in Shanghai, the PRC, entered into by the Group with an independent third party with effect from 1 November 2017.

For the Year, gross profit was approximately HK$21.86 million, with gross profit margin of approximately 89.79%, while gross profit and gross profit margin for the year ended 31 December 2017 were approximately HK$19.87 million and 88.50%, respectively, representing an increase of approximately 1.29% in gross profit margin, which was driven by higher occupancy rate and rental increment, and meets the management's expectation.

Other net income was approximately HK$1.75 million for the Year (2017: approximately HK$1.42 million). Such increment was mainly due to the increase in interest income derived from bank-deposits in Hong Kong and the PRC which was in line with the interest rate hikes during the Year.

Administrative expenses mainly comprised of salaries and benefits including Directors' emoluments, depreciation of property, plant and equipment, rental expenses, legal and professional expenses and other office expenses. Administrative expenses increased by 25.68% to approximately HK$24.21 million, primarily driven by (i) an increase in the average wages and salaries, and (ii) an increase in expenses due to the new automobile business.

The Group recorded a loss for the Year of approximately HK$6.70 million as compared to a profit of approximately HK$46.59 million last year. Turning profit to loss was mainly attributable to, among other things, (i) the absence of increase in fair value of properties transferred from properties held for sales to investment properties of approximately HK$52.08 million; and (ii) the decrease in fair value of investment properties of approximately HK$3.82 million for the Year compared to the increase in fair value of investment properties of approximately HK$7.48 million as recorded for the corresponding period in 2017.

Liquidity and Financial Resources

As at 31 December 2018, the Group's current ratio was approximately 5.70 (2017: approximately 6.40), calculated on the basis of current assets of approximately HK$150.82 million (2017: approximately HK$159.78 million) over current liabilities of approximately HK$26.46 million (2017: approximately HK$24.97 million).

As at 31 December 2018, total short-term bank deposit, bank balances and cash on hand, which were mainly denominated in Hong Kong dollars and Renminbi, were approximately HK$140.76 million (2017: approximately HK$139.16 million).

Gearing Ratio

As at 31 December 2018, the Group's gearing ratio was nil (2017: Nil), due to no bank borrowings of the Group (2017: Nil) and total assets of the Group was approximately HK$711.58 million (2017: approximately HK$740.86 million).

Capital Commitment

As at 31 December 2018, the Group had capital commitments of approximately HK$1.52 million for renovation for leasehold improvements (2017: Nil).

Charges on Assets

As at 31 December 2018, the Group did not have any charges on its assets (2017: Nil).

Future Plans for Material Investments or Capital Assets

As disclosed in the business update announcement of the Company dated 17 August 2018, the Group constructed the Automobile City to provide a new retail platform for automobile retailers. As it has taken more time than expected to complete the renovation work, it is expected that the official launch of the Automobile City will take place in 2019, instead of in the year of 2018. The Group also plans to setup similar automobile city(ies) in the PRC in the future.

On 26 March 2019, the Group entered into sale and purchase agreements to acquire the 11 contiguous double deck shop units within a 2-storey retail building in a private housing estate located in Liaoning Province, the PRC, at a cash consideration of approximately RMB20.4 million (the "**Acquisition**"). The Acquisition will help expand the Group's property related business, generate more rental income and strengthen the properties portfolios of the Group.

Save as disclosed above, the Directors currently do not have any future plans for material investments or capital assets. The Directors will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Key Risks and Uncertainties

The Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Foreign Exchange Risk

During the Year, most of the Group's business transactions were conducted in Hong Kong dollars and Renminbi. Review of the Group's exposure to foreign exchange risks is conducted periodically. The Group expected that the exposure to exchange rate fluctuation was not significant and therefore did not engage in any hedging activity during the Year.

Liquidity Risk

Liquidity risk is a potential risk that the Group will not be able to meet its obligations when they fall due as a result of its inability to obtain adequate funding or liquidate assets. In managing liquidity risks, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibilities for managing operational risks rest at early departmental level. The Group's management team will identify and assess key operational exposures regularly so that appropriate responses can be taken.

Impact of Government Policies and Regulations

The business operation of the Group is also subject to government policies, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with adequate skills, experience and competence which meet the business objectives. The Group provides attractive remuneration package to suitable candidates and personnel.

Third-Party Risk

The Group may rely on third-party service providers in certain parts of its business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management team realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party service providers and closely monitors their performance.

Business Risk

Performance of the Group's core business will be affected by various factors, including but not limited to the economic conditions and the property market performances in regions where the investments are located, which would not be mitigated even with careful and prudent investment strategy and strict control procedures.

Significant Investments

During the Year, the Group did not have any significant investments (2017: Nil).

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

Compliance with Laws and Regulations

During the Year, insofar as the Board was aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group.

Relationships with Stakeholders

The Company recognises that employees are its valuable assets. Thus, the Group recognises the accomplishment of its employees by providing comprehensive benefit packages, career development opportunities and internal training appropriate to individual needs. The Group regularly reviews the remuneration packages of employees and makes necessary adjustments to conform to the market level. Further, the Group provides a healthy and safe workplace for all employees and no strikes and cases of fatality due to workplace accidents occurred during the Year.

The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. During the Year, there was no material or significant dispute between the Group and its business partners or bank enterprises.

Employee and Remuneration Policies

As at 31 December 2018, the Group employed 21 employees (2017: 18) with staff costs excluding the non-executive Director and independent non-executive Directors for the Year amounting to approximately HK$11.93 million (2017: approximately HK$9.40 million). Remuneration policies are reviewed annually by the management of the Company. Remuneration packages are structured to take into account comparable levels in market and the prevailing business scale of the Group. The Company also operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The details of the Scheme are set out in the Director's Report and note 18 to the financial statements.

No options had been granted under the Scheme since its adoption.

Contingent Liability

The Group had no material contingent liability as at 31 December 2018 (2017: Nil).

Environmental Policies

The Group recognises its responsibility to protect the environment in its business operations. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies.

Treasury Policies

The Group adopts a treasury policy that aims to better control its treasury operations and lower its borrowing cost. As such, the Group endeavours to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group's needs to ensure that the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The time deposits of the Group at various licensed banks have been and will continue to be conducted in accordance with the Group's treasury policy. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Mr. JIANG Tian, aged 48, has been an executive Director since June 2017. He is also the chairman of the Board (the "**Chairman**"), the chief executive of the Company (the "**Chief Executive**"), the chairman of the nomination committee of the Company (the "**Nomination Committee**") and the controlling shareholder of the Company. Mr. JIANG has extensive experience in real estate investment and hotel management in the PRC. Mr. JIANG was a shareholder, a director and a legal representative of Shanghai Chongsheng Investment Management Co., Ltd. (a holding company of Hopevision Group Ltd., a controlling shareholder of the Company (the "**Controlling Shareholder**")) and then he resigned as a director and a legal representative on 12 December 2018. Mr. JIANG is also a consultant of the Company's subsidiary, Poppins Properties (Shanghai) Co., Ltd.* (博平置業（上海）有限公司).

Mr. JIANG was a director of Xinjiang Hejin Holding Co. Ltd. (whose shares are listed on the Shenzhen Stock Exchange, Stock Code: 000633, formerly known as Shenyang Hejin Holding Investment Co. Ltd.) ("**Xinjiang Hejin**") from December 2008 to June 2009.

Ms. HOU Yingxuan, aged 33, has been an executive Director since February 2017. She is also the vice-president of the Company. Ms. HOU graduated from Lancaster University in the United Kingdom with a bachelor's degree in Finance in 2009. Ms. HOU worked for CCB International Capital Limited (a wholly-owned subsidiary of China Construction Bank Corporation) from November 2009 to December 2016. Ms. HOU has rich experience in corporate finance and specialises in the origination of buy-side and sell-side projects for Hong Kong initial public offerings and offshore business corporate finance activities. Ms. HOU is currently a director of certain subsidiaries of the Company, namely, Capital Head Investment Limited, Concord Trinity Development Limited, Glory South Investment Limited, Jelson Enterprises Limited, Poppins Properties Limited, Adamgate Limited and Max Benefit Group Limited. Ms. HOU has also been appointed as a director of certain subsidiaries of the Company, namely, Dragon Intellect Holdings Limited, Splendid Maple Investments Limited and Sino Season Investments Limited on 28 February 2018, 20 April 2018 and 23 May 2018, respectively.

Mr. GONG Biao, aged 48, has been an executive Director since June 2016. He is also the vice-president of the Company and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. GONG graduated from Shanghai Polytechnic University (上海第二工業大學) with a major in Mechanical Engineering and Design. Mr. GONG is currently a shareholder and a supervisor of Shanghai Chongsheng Investment Management Co., Ltd. (a holding company of the Controlling Shareholder), and a director of Hong Kong Hopevision International Limited and Hopevision Group Ltd. Mr. GONG is also a director of certain subsidiaries of the Company, namely, Capital Head Investment Limited and Concord Trinity Development Limited and the chairman of Poppins Properties (Shanghai) Co., Ltd.* (博平置業（上海）有限公司). Mr. GONG was a vice general manager of Xinjiang Hejin from January 2009 to June 2009. Mr. GONG has been appointed as an executive director and a legal representative of Anshan Jian Xin Property Management Company Limited* (鞍山建新物業管理有限公司) on 1 June 2018 and the chairman and a legal representative of Shanghai Chengzhi Automobile Sales Co., Ltd. (上海誠郅汽車銷售有限公司) on 12 June 2018, all of which are subsidiaries of the Company.

* *For identification purpose only*

Mr. GAO Keqin, aged 51, has been an executive Director since December 2018. Mr. GAO obtained his degree in electronic engineering at Beihang University (北京航空航天大學) and part-time master degree in software engineering at Sichuan University (四川大學). Prior to joining the Group, Mr. GAO was the general manager of Beijing RYTong Information Technology Co., Ltd. (北京融易通信息技術有限公司) and Beijing Srit Software Technology Co., Ltd. (北京國研數通軟件技術有限公司). Mr. GAO has also been appointed as a director of Shanghai Chengzhi Automobile Sales Co., Ltd. (上海誠郅汽車銷售有限公司) on 20 November 2018, a legal representative and an executive director of Shanghai Tian Xi Vehicle Service Company Limited* (上海天禧車業服務有限公司) on 21 November 2018, a supervisor of Anshan Jian Xin Property Management Company Limited* (鞍山建新物業管理有限公司) on 20 December 2018 and a director of Poppins Properties (Shanghai) Co., Ltd.* (博平置業(上海)有限公司) on 24 December 2018, all of which are subsidiaries of the Company.

Mr. CHAI Yuet, aged 45, has been a non-executive Director since June 2016. Mr. CHAI is currently the chairman of the board of China Horae Capital Management (Group) Co., Limited.

Mr. HU Jianxing, aged 42, has been an independent non-executive Director since June 2016. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the audit committee of the Company (the "**Audit Committee**"). Mr. HU obtained a bachelor's degree in International Economics Law from East China University of Political Science and Law (華東政法大學, formerly known as East China College of Political Science and Law (華東政法學院)) (Shanghai, the PRC) in July 1999. Mr. Hu is responsible for giving independent judgement on the Group's strategic plan, performance, resources and standard of integrity.

Mr. Hu is currently a lawyer of DeHeng Shanghai Law Office (德恒上海律師事務所) and he has been a qualified PRC lawyer for over 15 years.

Mr. TSEUNG Yuk Hei Kenneth, aged 53, has been an independent non-executive Director since November 2017. He is also the chairman of the Audit Committee. Mr. TSEUNG graduated from Macquarie University in Australia in 1989 with a bachelor's degree in Economics and he is a chartered accountant in Australia. Mr. TSEUNG has over 24 years of extensive experience in auditing and investment banking business. Prior to joining the investment banking industry in 1994, Mr. TSEUNG was an auditor in Hong Kong and Australia. Mr. TSEUNG has held senior positions in the investment banking division of various financial institutions including Standard Chartered Bank (Hong Kong) Ltd., ABN AMRO Bank N. V., Hong Kong branch and BNP Paribas Peregrine Capital Limited. After that, Mr. TSEUNG was a managing director, Head of Investment Banking, China of CIMB Securities Limited from August 2012 to February 2017. Mr. TSEUNG is currently the senior managing director, Head of Investment Banking of Mason Global Capital Limited (a wholly-owned subsidiary of Mason Group Holdings Limited (Stock Code: 273)). Mr. TSEUNG had been an independent non-executive director of Chinese Energy Holdings Limited (Stock Code: 8009) (formerly known as iMerchants Limited) between September 2004 and September 2007 and Great Wall Motor Company Limited (Stock Code: 2333) between June 2009 and May 2010.

Mr. JI Qing, aged 44, has been an independent non-executive Director since May 2018. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. JI has obtained a master degree in business administration from the University of Management and Technology and completed an undergraduate finance program from The Open University of China (國家開放大學) (formerly known as China Central Radio and Television University (中央廣播電視大學)). Mr. JI has over 20 years of working experience in accounting, internal audit and risk management.

Mr. JI has been a partner of Shanghai Shenbei Certified Public Accountants Co. Ltd.* (上海申北會計師事務所有限公司), mainly in charge of business matters and market development since May 2013. Prior to joining Shanghai Shenbei Certified Public Accountants Co. Ltd., Mr. JI worked at Soochow Life Insurance Co., Ltd. (東吳人壽保險股份有限公司) and he was responsible for internal audit matters. Mr. JI has also worked at Tian An Insurance Co., Ltd.* (天安保險股份有限公司) and he was responsible for internal risk control and risk management matters.

* *For identification purpose only*

The Board and the management of the Company are committed to upholding a high standard of corporate governance with an aim to safeguard the interest of the shareholders of the Company (the "**Shareholders**") and the Company as a whole.

Save as disclosed herein, the Company has applied the principles and complied with all applicable code provisions and, where applicable, the recommended best practices of the Corporate Governance Code as set out in Appendix 14 (the "**CG Code**") to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), except the following deviation.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Please refer to the paragraph under "Chairman and Chief Executive" below for details.

Key corporate governance principles and practices of the Company are summarised below.

Directors' and Employees' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Confirmation has been sought from all Directors that they had complied with required standards set out in the Model Code throughout the Year. The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incidents of non-compliance of such guidelines by relevant employees was noted by the Company during the Year.

Directors

The Board

The Board is accountable to the Shareholders for leading the Group in a responsible and effective manner. Every Director is charged with the duties of acting in the best interest of the Group and the duties of contributing to the Group with their expertise and knowledge. The Board decides on the overall strategies and monitors the Group's performance on behalf of the Shareholders. During the Year, the Board held four meetings. Besides, the Company held one Shareholders' meeting in 2018 (i.e. the annual general meeting held on 6 June 2018). The attendance records of each Director at the aforesaid Board meetings and Shareholders' meeting are set out as follows:

	Attendance/Number of meetings	
Name of Directors	**Board meeting**	**Shareholders' meeting**
Mr. JIANG Tian	4/4	1/1
Ms. HOU Yingxuan	4/4	1/1
Mr. GONG Biao	4/4	1/1
Mr. GAO Keqin*	1/1	N/A
Mr. CHAI Yuet	4/4	1/1
Mr. HU Jianxing	4/4	1/1
Mr. TSEUNG Yuk Hei Kenneth	4/4	1/1
Mr. JI Qing*	3/3	1/1
Ms. LI Ping**	1/1	N/A
Mr. LAI Han**	3/3	1/1

* *Mr. JI Qing and Mr. GAO Keqin were appointed as Directors on 3 May 2018 and 1 December 2018, respectively.*

** *Each of Ms. LI Ping and Mr. LAI Han resigned as a Director on 3 May 2018 and 31 August 2018, respectively, as each of them would like to concentrate on other business commitments.*

To provide an opportunity to Directors to include matters for discussion in the agenda, at least 14 days' notice of a regular Board meeting is given to all Directors. Every Director is entitled to have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view of ensuring that the Board procedures and all applicable rules and regulations are followed. All minutes are kept by the Company Secretary and are open for inspection by Directors. Minutes of Board meetings and meetings of Board committees are recorded with sufficient detail on the matters considered by the Board/Board committees and the decisions reached. Draft and final versions of those minutes are sent to Directors/Board committee members for their comment and record within a reasonable time after the meetings are held.

Directors have been advised that the Company Secretary can arrange independent professional advice at the expense of the Company should such advice be considered necessary by any Director.

The Company has received from each independent non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such Directors to be independent. The independent non-executive Directors are explicitly identified in all corporate communications of the Company.

According to the current Board practice, if a substantial Shareholder or a Director has any conflict of interest in any matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting. The articles of association of the Company (the "**Articles of Association**") also stipulates that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her close associates have a material interest.

The senior management of the Company are the Directors. Details of their remuneration for the Year are set out in note 9(a) in the financial statements.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and received adequate and reliable information on a timely basis.

Since Mr. JIANG Tian now serves as both the Chairman and the Chief Executive after the resignation of Mr. LAI Han on 31 August 2018, such practice deviates from code provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive in the same person can facilitate the effective execution of the Group's business strategies and operation. Furthermore, there are various experienced individuals in charge of the daily business operation and the Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors, with a balance of skill and experience appropriate for the Group's further development. The Board will review such deviation from time to time to enhance the best interest of the Group as a whole.

Board Composition

During the Year and up to the date of this report, the Board consists of the following Directors:

Executive Directors:
Mr. JIANG Tian *(Chairman and Chief Executive)* (appointed as Chief Executive on 31 August 2018)
Ms. HOU Yingxuan *(Vice-President)*
Mr. GONG Biao *(Vice-President)*
Mr. GAO Keqin* (appointed on 1 December 2018)
Mr. LAI Han *(Chief Executive)*** (resigned on 31 August 2018)

Non-executive Director:
Mr. CHAI Yuet

Independent Non-executive Directors:
Mr. HU Jianxing
Mr. TSEUNG Yuk Hei Kenneth
Mr. JI Qing* (appointed on 3 May 2018)
Ms. LI Ping** (resigned on 3 May 2018)

* *Mr. Ji Qing and Mr. GAO Keqin were appointed as Directors on 3 May 2018 and 1 December 2018, respectively.*

** *Each of Ms. LI Ping and Mr. LAI Han resigned as a Director on 3 May 2018 and 31 August 2018, respectively, as each of them would like to concentrate on other business commitments.*

The Board has met the requirements of Listing Rules 3.10 and 3.10A of the Listing Rules of having three independent non-executive directors (representing at least one-third of the Board) with at least one of them possessing appropriate accounting or related financial management expertise. The relationship among members of the Board, if any, is disclosed in "Biographical Details of Directors" of this report.

Appointment and Re-election

Each non-executive Director, whether independent or not, is appointed for a specific term ranging from approximately one year to three years and is subject to retirement by rotation at least once every three years. Further, in accordance with Article 104(A) of the Articles of Association, at each annual general meeting of the Company (the "**AGM**"), one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest but not less than one-third) shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Pursuant to Article 95 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, each of Mr. GONG Biao, Mr. GAO Keqin, Mr. CHAI Yuet and Mr. HU Jianxing shall be eligible for re-election by the Shareholders in the forthcoming AGM.

The composition and diversity of the Board is reviewed regularly to ensure that it covers a balance of expertise, skills and experience for the business of the Company. The Directors' profiles are set out in the "Biographical Details of Directors".

Responsibilities of Directors

The Directors are continually embraced with the most up-to-date regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities through regular Board meetings. During the Year, each independent non-executive Director attended all regularly scheduled meetings of the Board and committees, where such independent non-executive Director sat in and reviewed the meeting materials distributed in advance. The Directors, also, attended the AGM and answered questions raised by the Shareholders.

Supply of and Access to Information

In respect of regular Board meetings, an agenda and accompanying Board papers of the meeting are sent in full to all Directors at least 3 days before the intended date of the meeting. The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. Each Director has separate and independent access to the Company's management to acquire more information than is volunteered by the management and to make further enquiries if necessary.

Directors' Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in professional development courses and seminars relating to the Listing Rules, Companies Ordinance (Cap. 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

In compliance with code provision A.6.5 of the CG Code, during the Year, the Company has provided each of the Directors with training, briefings and updates on the latest development of the Listing Rules in connection with the environmental, social and governance reporting, risk management and internal control and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices.

The table below summarises the participation of the Directors in training during the Year and up to the date of this report.

Name of directors	**Attending training organised by professional organisations and/or reading materials updating on new rules and regulations**
Executive Directors:	
Mr. JIANG Tian *(Chairman and Chief Executive)* (appointed as Chief Executive on 31 August 2018)	✓
Ms. HOU Yingxuan *(Vice-President)*	✓
Mr. GONG Biao *(Vice-President)*	✓
Mr. GAO Keqin* (appointed on 1 December 2018)	✓
Mr. LAI Han *(Chief Executive)*** (resigned on 31 August 2018)	✓
Non-executive Director:	
Mr. CHAI Yuet	✓
Independent Non-executive Directors:	
Mr. HU Jianxing	✓
Mr. TSEUNG Yuk Hei Kenneth	✓
Mr. JI Qing* (appointed on 3 May 2018)	✓
Ms. LI Ping** (resigned on 3 May 2018)	✓

* *Mr. JI Qing and Mr. GAO Keqin were appointed as the Directors on 3 May 2018 and 1 December 2018, respectively.*

** *Each of Ms. LI Ping and Mr. LAI Han resigned as a Director on 3 May 2018 and 31 August 2018, respectively, as each of them would like to concentrate on other business commitments.*

Corporate Governance Functions

During the Year, the Board as a whole has performed the following corporate governance duties:

(a) developed and reviewed the Company's policies and practices on corporate governance;

(b) reviewed and monitored the training and continuous professional development of the Directors and senior executives;

(c) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and the Directors;

(e) reviewed the Company's compliance according to the CG Code and disclosure in the Corporate Governance Report; and

(f) performed such other corporate governance duties and functions set out in Appendix 14 to the Listing Rules (as amended from time to time) for which the Board is responsible.

Audit Committee

The Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. TSEUNG Yuk Hei Kenneth who possesses recognised professional qualifications in accounting and extensive experience in audit and accounting. The Audit Committee is to oversee the Group's financial reporting system, risk management and internal control systems, to review and monitor the external auditor's independence and objectivity, to review the adequacy of resources, qualification and experience of staff of the accounting, internal audit and financial reporting functions and their training programmes, and the effectiveness of the audit process in accordance with applicable standards. During the Year, the Audit Committee held three meetings with attendance records as follows:

Name of members	**Number of attendance**
Mr. TSEUNG Yuk Hei Kenneth *(Chairman)**	3/3
Mr. HU Jianxing	3/3
Mr. JI Qing*	2/2
Ms. LI Ping *(Chairman)***	1/1

* *Each of Mr. TSEUNG Yuk Hei Kenneth was appointed as the chairman of the Audit Committee and Mr. JI Qing was appointed as a member of the Audit Committee on 3 May 2018, respectively.*

** *Ms. LI Ping resigned as the chairman of the Audit Committee on 3 May 2018.*

The Audit Committee has reviewed the interim accounts for the six months ended 30 June 2018 and the audited consolidated financial statements for the Year, respectively, with the Company's external auditor. The Audit Committee has also reviewed the Group's accounting principles and practices, Listing Rules and statutory compliance, the risk management and internal control review report and financial reporting matters including the adequacy of resources, staff qualifications and experience, training programme and budget of the Company's accounting and financial reporting function.

Remuneration to the External Auditor of the Company

An analysis of the remuneration of the Company's auditor, KPMG, for the Year is set out as follows:

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,350
Non-audit services *(Note)*	80
	1,430

Note: Non-audit services include advisory services regarding the environmental, social and governance report of the Group for the Year.

Remuneration Committee

The Remuneration Committee was established by the Company in 2005. The Remuneration Committee is chaired by Mr. HU Jianxing; Mr. JI Qing and Mr. GONG Biao are other members of the committee. The majority members of the Remuneration Committee are independent non-executive Directors. The primary function of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior executives (i.e. the model described in code provision B.1.2(c)(ii) is adopted). The remuneration of the Directors has been determined by the Board with reference to their duties and responsibilities, experience, qualification and prevailing market conditions and will be subject to annual review. During the Year, the Remuneration Committee held one meeting, with all members present in the meeting and reviewed the remuneration of the Directors.

Name of members	Number of attendance
Mr. HU Jianxing *(Chairman)*	1/1
Mr. JI Qing*	N/A
Mr. GONG Biao*	N/A
Ms. LI Ping**	1/1
Mr. LAI Han**	1/1

* *Each of Mr. JI Qing and Mr. GONG Biao was appointed as a member of the Remuneration Committee on 3 May 2018 and 31 August 2018, respectively.*

** *Each of Ms. LI Ping and Mr. LAI Han resigned as a member of the Remuneration Committee on 3 May 2018 and 31 August 2018, respectively.*

Nomination Committee

The Nomination Committee was established by the Company in 2005. The Nomination Committee is chaired by Mr. JIANG Tian; Mr. HU Jianxing and Mr. JI Qing are other members of the committee. The major responsibilities of the Nomination Committee include reviewing and approving all new appointments of directors and senior executives of the Group, and monitoring the overall adequacy of the Board's composition. The terms of reference, which sets out the Nomination Committee's authority, duties and responsibilities, are available on both the websites of the Company and the Stock Exchange.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, integrity, experience, skills, professional knowledge and the amount of time and effort that a candidate will devote to carry his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Nomination Committee adopted the board diversity policy on 26 August 2013. An updated board diversity policy has been adopted on 26 March 2019. The Company recognises and embraces the benefits of having a diverse composition of the Board. Differences in the talents, skills, regional and industrial experience, background, gender and other qualities will be considered in determining the optimum Board composition. The ultimate decision will be based on merit and contribution that the selected candidates are likely to bring to the Board.

The Nomination Committee holds at least one meeting annually to review the current Directors' and senior executives' structure, and to monitor the overall adequacy of the Board's composition. During the Year, the Nomination Committee held one meeting with attendance records as follows:

Name of members	Number of attendance
Mr. JIANG Tian *(Chairman)*	1/1
Mr. HU Jianxing	1/1
Mr. JI Qing*	N/A
Ms. LI Ping**	1/1

* *Mr. JI Qing was appointed as a member of the Nomination Committee on 3 May 2018.*

** *Ms. LI Ping resigned as a member of the Nomination Committee on 3 May 2018.*

Nomination Policy

The Board has adopted the nomination policy (the "**Nomination Policy**") on 3 December 2018 which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

(1) identifying potential candidates, including recommendations from the Board members, management, professional recruitment agency and the Shareholders;

(2) evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;

(3) reviewing the profiles of the shortlisted candidates and interview them; and

(4) making recommendations to the Board on the selected candidates.

The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Accountability and Audit

Financial Reporting

The management provides such explanation and information to the Board to facilitate an informed assessment of the financial and other information put before the Board for approval. The Directors acknowledge their responsibilities to prepare the consolidated financial statements that give a true and fair view of the state of affairs of the Group. Meanwhile, the Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements and estimates made are prudent and reasonable. In preparing the consolidated financial statements for the Year, the accounting principles generally accepted in Hong Kong have been adopted and the requirements of the Hong Kong Financial Reporting Standards (which also include applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and the applicable laws were complied with. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to drive business forward. The Board has prepared the consolidated financial statements on a going concern basis. The reporting responsibilities of external auditor of the Company are disclosed in the "Independent Auditor's Report" of this report.

Delegation by the Board

Management Functions

Executive Directors are in charge of different business and functional divisions in accordance with their respective areas of expertise. The Board, led by the Chairman, is responsible for setting overall corporate strategies; evaluation of the performance of the Group and the management; and approval of matters that are of a material or substantial nature. Supported by senior executives, the Chief Executive is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Group.

Board Committees

The Audit Committee, Remuneration Committee and Nomination Committee have been established to oversee specific aspects of the Company's affairs. Each of these committees has specific written terms of reference which deals clearly with their authorities and duties.

Company Secretary

The Company has engaged under a service contract with an external service provider, Ms. HO Wing Yan ("**Ms. HO**"), who is appointed as the Company Secretary. Ms. HOU Yingxuan, the executive Director and the vice-president of the Company, is the primary corporate contact person of the Company with Ms. HO.

Being the Company Secretary, Ms. HO plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Ms. HO is responsible for advising the Board on corporate governance matters and should also facilitate induction and professional development of Directors.

Ms. HO is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. HO continues to study professional courses of corporate governance and has extensive experience in the company secretarial field for listed companies. Ms. HO is also a holder of the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries. In accordance with Rule 3.29 of the Listing Rules, Ms. HO took more than 15 hours of relevant professional training for the Year.

Corporate Social Responsibility

The Group is conscious of its role as a socially responsible group of companies. It has from time to time made donations for the well-being of the community and encourages its employees to participate in different charitable events.

Communication with Shareholders

Shareholders' Communication Policy

The Board adopted a Shareholders' Communication Policy reflecting mostly the current practices of the Company for communication with the Shareholders. Such policy aims at providing the Shareholders and potential investors with readily and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company discloses relevant information to the Shareholders through the Company's annual report and consolidated financial statements, the interim report, as well as the AGM. The sections under the "Chairman's Statement" and "Management Discussion and Analysis" of this annual report facilitate the Shareholders' understanding of the Company's activities. The AGM provides a sound channel for the Shareholders to meet and communicate with the Directors. The poll results of the AGM are published on both the websites of the Stock Exchange and the Company. The Company's consolidated financial statements and each of the required disclosure of information are despatched within the prescribed period imposed by laws and regulations. To further promote effective communication, the Company's website is maintained to disseminate the Company's announcements and other relevant financial and non-financial information electronically on a timely basis.

Shareholders' Rights

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Articles of Association and the Companies Ordinance, on the requisition of the members of the Company holding at the date of the deposit of the requisition not less than one-twentieth of the paid-up capital of the Company as at the date of the deposit carrying the right of voting at general meetings of the Company, the Board shall forthwith proceed duly to convene an extraordinary general meeting of the Company.

The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the Company's registered office, and may consist of several documents in like form, each signed by one or more requisitionists.

If the Board does not, within 21 days from the date of the deposit of the requisition, proceed duly to convene a meeting on a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

A meeting so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Procedures for Putting Forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, it shall be the duty of the Company, on the requisition in writing of member(s) holding at the date of requisition not less than one-fortieth of the total voting rights or of not less than 50 members holding shares in the Company on which there has been paid up an average sum, per member, of not less than HK$2,000, and (unless the Company otherwise resolves) at the expense of the requisitionists:

(a) to give to members of the Company, who are entitled to receive notice of the next AGM, notice of any resolution which may properly be moved and is intended to be moved at that meeting; and

(b) to circulate to members, who are entitled to have notice of any general meeting sent to them, any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition, signed by the requisitionists (or 2 or more copies which between them contain the signatures of all the requisitionists), should be deposited at the Company's registered office (in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in the case of any other requisition, not less than one week before the meeting). In addition, there should be deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in giving effect thereto.

Procedures for Proposing a Person for Election as a Director

As regards to the procedures for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section of the Company's website at www.greatchina-holdings.com.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are set out in the "Contact Us" section of the Company's website at www.greatchina-holdings.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Dividend Policy

The Board has adopted the dividend policy (the "**Dividend Policy**") on 3 December 2018 which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Dividend Policy aims to allow the Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities. The dividend distribution decision of the Company will depend on, among others, the financial results, the cashflow, Shareholders' interests, the general business conditions and strategies, the current and future operations, the liquidity and capital requirements, taxation considerations, statutory and regulatory restrictions and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

Investor Relations

The Company is committed to maintaining good relations with investors and firmly believes that increased transparency in the capital market will improve corporate governance and will be beneficial to the long-term development of the Company. During the Year, there was no change in the Company's constitutional documents.

Risk Management and Internal Control

During the Year, AVISTA PRO-WIS Risk Advisory Limited, an external professional firm, was engaged by the Company to conduct a review on the risk management and internal control systems of the Company for the Year (the "**Internal Control Review**"). The results of the Internal Control Review were submitted to the Board and the Audit Committee for their consideration, and the Board and the Audit Committee considered the risk management and internal control systems to be effective and adequate, and in compliance with the code provisions as set out in the CG Code.

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The internal control systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board oversees the Company's risk management and internal control systems on an ongoing basis. A year-end review of the effectiveness of the Group's risk management and internal control systems is conducted annually, and self-assessment and comprehensive risk assessment surveys are also conducted during the review. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

All Directors and those employees who could have access to, and monitor, the information of the Group are responsible for making appropriate precautions to prevent abuse or misuse of such information. Employees of the Group are prohibited from using inside information for their own benefit.

The Board is also vested with the responsibility to disseminate to the Shareholders and the public any inside information in the form of announcements, in accordance with the Listing Rules.

Environmental, Social and Governance Report

About this Report

Overview

Here at Great China Holdings Limited, we acknowledge our responsibility as a corporate to understand and manage the impact we have on our surrounding. We are committed to operating in a sustainable manner and positively impact the environment and society we operate in. To share our sustainability performance with our stakeholders, we are pleased to present our second Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**"), which covers the year ended 31 December 2018.

About our business

Great China is mainly engaged in property investment in the PRC. Major investment properties and properties held for sale include residential premises, shops and car parks for rental or sale. The Group had also been diversifying into the new business segment of automobile during the year.

As a listed company, the Group is committed to maintaining high standards of corporate governance practices and transparency based on the interest of shareholders and various stakeholders. In order to implement corporate citizenship, the Group adheres to the principles of sustainable development on top of its business development, as well as strikes a balance between development, social welfare and environment protection. Our Directors will pay close attention to the real estate market environment and consolidate the principle businesses while exploring more investment opportunities, so as to maintain the long-term sustainability of our business. In addition, we will make every effort to contribute to the community with our strengths and resources.

Scope of this Report

This ESG Report covers the sustainable development policy, strategy and performance of Great China Holdings Limited and its subsidiaries (collectively referred to as "**We**", "**Great China**" or the "**Group**").

Aligning with the annual report, this ESG Report covers the reporting period from 1 January 2018 to 31 December 2018, with the reporting scope covering the Group's property investment and automobile businesses, with offices in Hong Kong and Shanghai.

Reporting reference

This ESG Report has been prepared in accordance with the requirements of the Environmental, Social and Governance Reporting Guide ("**ESG Guide**") set out in Appendix 27 to the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong ("**HKEX**"). This ESG Report covers the general disclosures and environmental key performance indicators disclosures as required by the 'comply or explain' provisions of the ESG Guide. An index of the ESG Guide in accordance with this ESG Report's contents is provided for readers' easy reference. Unless otherwise stated, the ESG Report should be read in conjunction with the Corporate Governance Report of the 2018 Annual Report of the Group.

Endorsement and approval

This ESG Report has been reviewed and approved by the Board of Directors.

Feedback

We welcome feedback from all stakeholders regarding this ESG Report. Please feel free to share your feedback and comments at: info@greatchina-holdings.com.

Stakeholder engagement and materiality assessment

Stakeholder engagement

Materiality assessment is essential in identifying the focus of our ESG management strategies. Engaging our stakeholders provides important input for our decision-making, which enables us to continuously improve and make progress toward our ESG commitments.

During the year, we primarily conducted engagement with our senior management, who has hands-on knowledge of our operations as well as close relationships with key investors and business partners, to collect views and identify materiality for the Group. With the facilitation of a third-party consultant, engagement surveys and interviews were conducted and assessed.

Materiality assessment

Views and opinions collected during the stakeholder engagement process have been assessed and summarised in a materiality matrix below:

Environment

The Group recognises the environment as the foundation for corporate presence and development, and it endeavours to achieve sustainable business growth. The Group reduces its environmental impact mainly by implementing procedures and measures relating to emission control and resource conservation in its day-to-day operations. Through these activities, the Group expects to promote and drive harmonious development of the economy, society and environment.

In addition, we will continue to identify and manage the possible environmental impacts that may be caused by our business operations. We shall not only comply with relevant local laws and regulations strictly but also share the idea of environmental protection among our staff members.

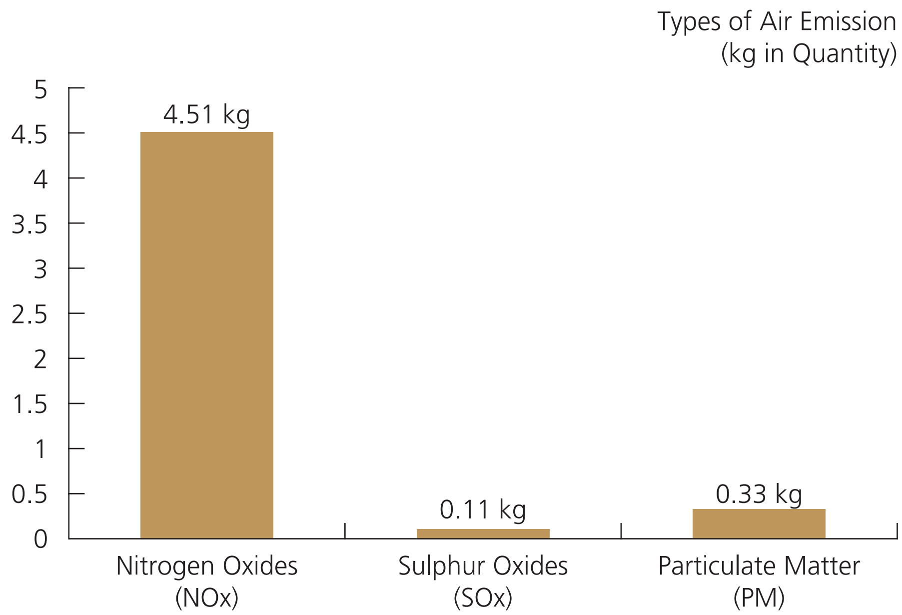
Emissions

The majority of our business activities are office-based. Given the nature of our business, we do not produce significant air emissions, greenhouse gas (GHG), hazardous waste or wastewater discharge.

Nevertheless, we still make extensive efforts to minimise our emissions and strictly comply with the relevant laws and regulations where reasonably practicable.

Air emissions

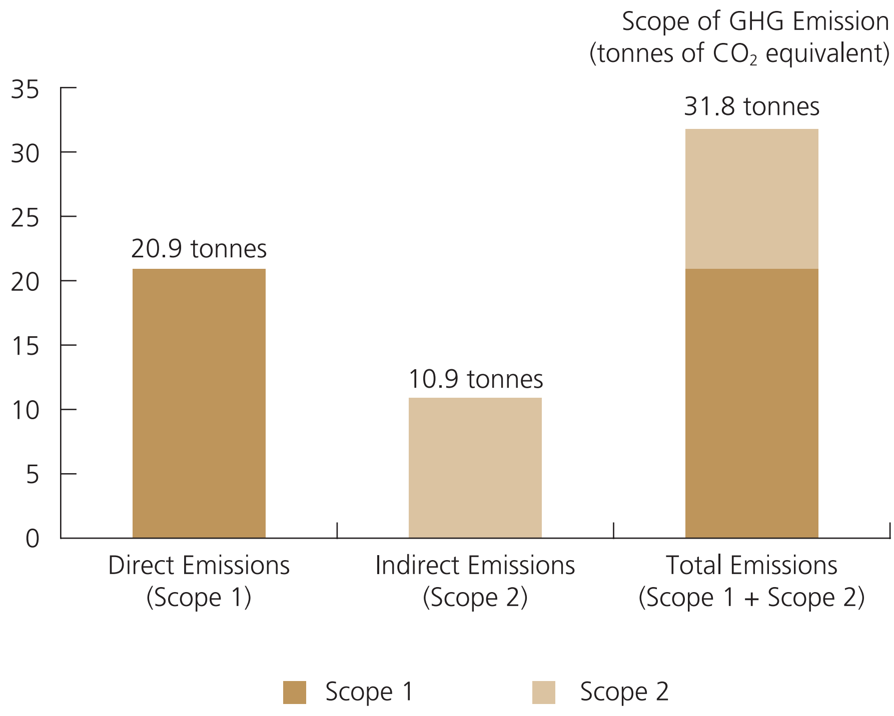
The Group conducts most of its operations in office environments and does not involve in any industrial activity that generates significant air emissions. The major source of air emissions throughout the year was from our vehicles; the details are provided in the table below:



GHG emission

While the Group has not specifically conducted a GHG assessment historically, we understand that energy use at our operations represents a significant source of GHG. Over the years, we have made various initiatives and installations to improve our energy efficiency, which have reduced our overall carbon emissions. Please refer to section "Use of electricity" for more detailed energy-efficiency measures applied.

During the year, we have assessed the Group's GHG emission in accordance with The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition), published by the World Business Council for Sustainable Development and World Resources Institute. Our scope 1 direct emissions are from the fuel use of our company vehicles, and the scope 2 indirect emissions are from the use of electricity at our offices. Please refer to the table below for details:



Use of resources

The Group is committed to using resources in a wise and efficient manner. In our Hong Kong and Shanghai offices, we have been implementing different measures to conserve energy, water, paper and other office supplies. These measures range from the use of recycled paper and materials, to the behavioural change of our people.

Use of electricity

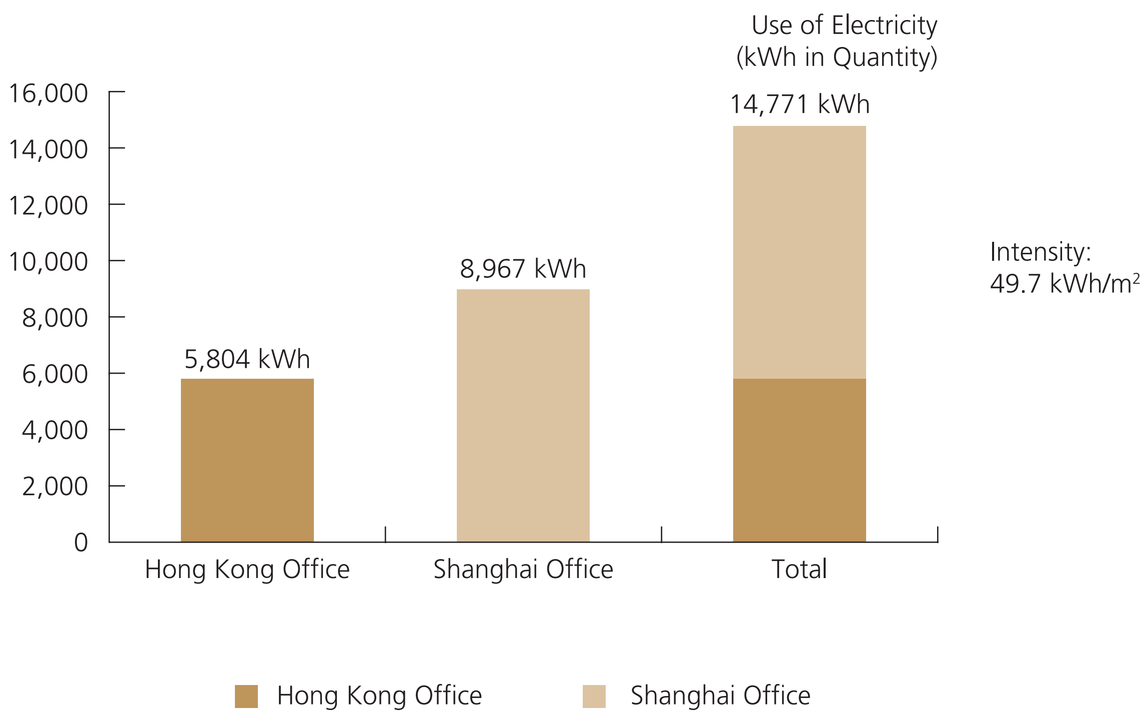
In our offices, the major type of energy consumption was the electricity used for basic office provisions such as lighting, air conditioning and electronic equipment. To reduce energy consumption in our offices, we have taken various measures as listed below:

— Reminding employees to turn off lighting when leaving a room for more than an hour and switch off computers after working hours;

— Switching office equipment and electronic appliances to energy-saving mode, e.g. enabling the printers and computers to automatically power down after a period of inactivity;

— Considering the use of appliances that meet the Grade 1 standard of the Electrical and Mechanical Services Department's energy efficiency label whenever replacing new office equipment or procuring renovation materials; and

— Switching of all office lightings to LED.



Note: The automobile city is excluded from the data disclosure as it was under construction during the reporting period.

Use of water

The water consumed in our leased offices is managed by their respective property management companies. Hence, we were unable to obtain relevant water consumption information of the Group.

Nevertheless, the Group encourages staff to conserve water within our own premises. Posters and stickers are presented in highly visible locations to remind employees of the scarcity of water resources, and it is the responsibility of everyone to try conserving all natural resources the best way they can.

At our investment properties, we work closely with the property management representatives to properly maintain the water pipes and fixtures. Regular inspections were performed on the pipes and fixtures of our properties to repair any leaking fixtures and prevent water wastage.

Waste management

With most of our operations taking place in office environments, most of our waste generated is general office waste. To reduce our environmental footprint, we have adopted the '3R' principles — reduce, reuse and recycle — across the Group, and waste from our operations is being properly disposed of in line with local requirements.

General waste

General waste produced by the Group mainly consist of paper and other office waste. To reduce paper consumption and waste generated, we have taken various measures to reduce the consumption of paper and other office supplies:

— Advocating the idea of 'paperless' office and encouraging our staff to use electronic communications when feasible;

— Encouraging duplex printing and the reuse of single-sided paper as draft paper;

— Monitoring the consumption of office supplies for possible wastage and encouraging reuse; and

— Providing recycling boxes for collecting paper wastes.

We ensure that general waste from our operations are properly disposed of, and during the reporting period, we generated a total of 0.3 tonnes of paper waste at our offices in Hong Kong and Shanghai.

Hazardous waste

Given the nature of our business, we do not produce any significant amount of hazardous waste.

Environment and natural resources

The significant environmental issues faced in our business regarding emissions and the use of resources are already disclosed in the above sections.

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations relating to environmental emissions.

Social

Employment and labour practices

The Group recognises the importance of talents as the foundation of our success. Therefore, we strive to acquire and retain talents by providing competitive remuneration packages, proper development opportunities and comfortable working environment.

We abide by all relevant labour laws and regulations including the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and the Labour Law of the People's Republic of China. The detailed rights and responsibilities of employees are communicated clearly in the Staff Handbook employees received upon joining the Group.

Talent recruitment

We are an equal opportunity employer, and support the diversification of our workforce. Here at Great China, we strive to provide our staff a working environment that is free of discrimination, harassment and harm. Equal opportunities are provided in all aspects of our employment process, including recruitment, training, promotion opportunities, benefits, transfer and dismissal.

Discrimination or harassment against anyone due to their personal attributes such as race, age, sex, gender, marital status, religion or belief is not tolerated. Any complaints received regarding discrimination or harassment will be investigated thoroughly by our Human Resources and Administrative Department with strict confidentiality. During the year, we did not receive any compliant regarding such issues.

Employment benefits

The sustainable growth of our business relies on the recruitment and retention of talent. To retain and motivate talent, the Group offers competitive remuneration which is regularly reviewed and adjusted based on factors such as the Group's business performance, employee performance, change in duties and inflation rates. On top of basic salary, discretionary annual bonus is provided depending on our business performance and the individual performance of employees.

We abide by relevant local labour laws and depending on the employment location, we pay for social insurance fund for our PRC employees as well as provide medical benefits and Mandatory Provident Fund provisions for our Hong Kong employees. To show our care, we also provide subsidies for marriage, childbirth, birthday and condolence fund to our regular staff.

Employees are also entitled to paid holidays or leave as specified under local laws, which include statutory holidays, annual leave, maternity leave, paternity leave and sick leave. While we do not encourage overtime work, employees are entitled to transportation subsidies and compensatory leave for approved overtime work.

Appraisal system

We have in place a performance-driven salary system to provide employees with fair and reasonable promotion and wage standards. In addition, the Group has implemented the competency assessment to better mobilise the enthusiasm of employees and support them in their professional development.

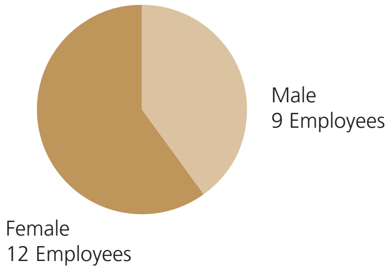
The Group respects employees' opinions. Open communication is encouraged to foster mutual trust and respect between management and employees. Employees may confer local issues with management via various channels or discuss with their immediate supervisor or senior management team if necessary.

Employee overview

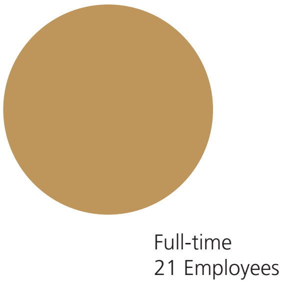
As at 31 December 2018, the Group had 21 employees (excluding non-executive directors and independent non-executive directors), with an attrition rate of 41.0%. Detailed classifications are listed below:

By Region

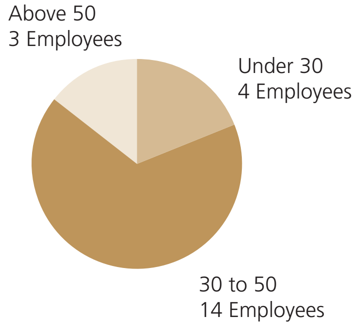
By Gender

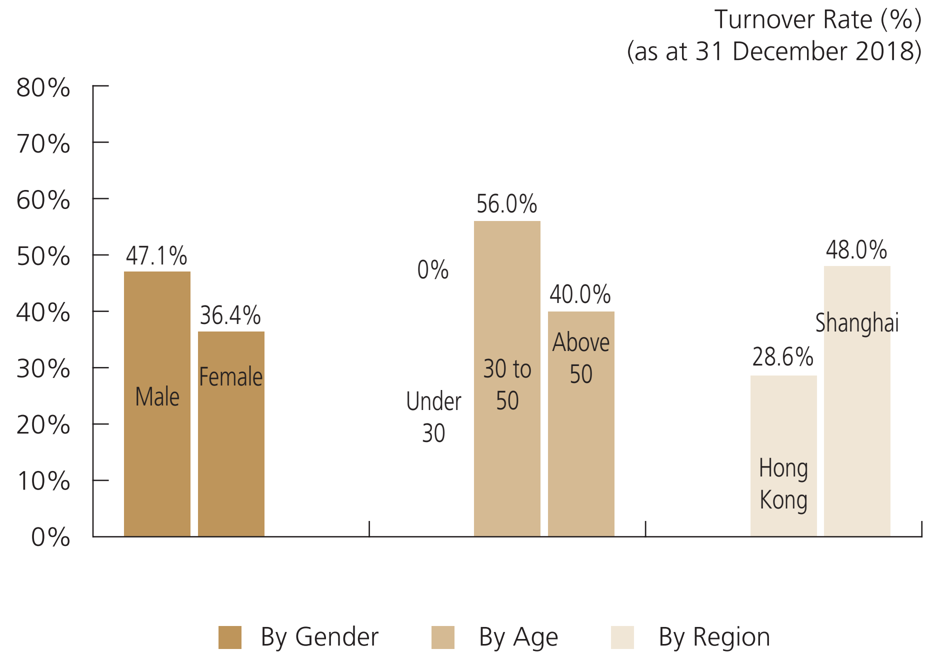


Category



By Age





Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding employment and labour practices.

Health and safety

The Group is committed to providing a safe and healthy working environment for our employees. While our staff are only exposed to low risk of injury due to their work nature, the Group pledges full compliance in terms of all key occupational health and safety legislations, for example the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases.

We have established a formal health and safety policy, and perform regular inspections of the workplace for potential hazards. Emergency provisions such as smoke detectors, fire extinguishers and first aid kits are properly maintained, and we ensure our employees have access to basic necessities such as potable water and sanitary facilities. To provide our employees with a safe, healthy and friendly working environment, we have also taken the following measures:

— Installing air purifiers in workplace to improve indoor air quality;

— Prohibiting smoking in the workplace;

— Providing adequate lighting and ventilation in the working area;

— Improving emergency preparedness for accidents through participation in fire drills and showing emergency exit plans in highly visible locations; and

— Ensuring regular cleaning of workplaces.

Regulatory compliance

During the reporting period, there were no incidences of serious injuries or accidents. We were not aware of any material non-compliance with laws and regulations regarding occupational health and safety.

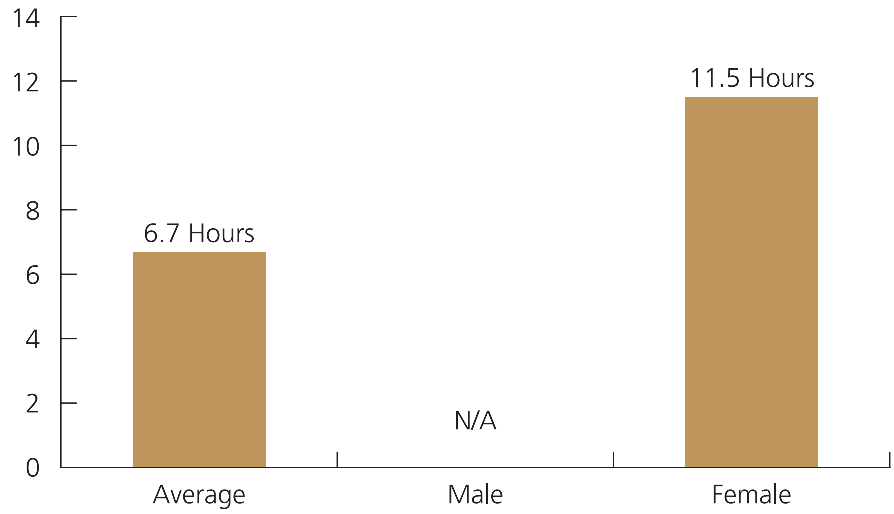
Development and training

According to the Group, the capability of our employees is crucial to our long-term success. We strive to improve the overall quality of the employees and enhance their sense of belongings so that employees can continuously grow in a harmonious working environment.

To maintain the competitiveness of our employees, we provide regular training to equip them with the latest industry knowledge and expertise. During the reporting period, we offered diversified vocational training to enhance staff's capabilities to discharge their respective duties. Courses offered include new employee orientation training, on-the-job training, and safety and emergency training.

Employees are also encouraged to develop and equip themselves with professional qualifications for future challenges. As part of the annual appraisal practice, employees are encouraged to discuss and formulate their personal development plan. Upon successful application, paid examination leave and educational subsidies would be provided to support their continuous learning.

Employment Training Hours per Employee
(as of 31 December 2018)



Prevention of child and forced labour

The Group respects each individual's basic human rights and strictly complies with relevant local laws and regulations regarding child and forced labour. The employment of child and forced labour is prohibited in all operations, and clear policies are in place to prevent any incidents of child and forced labour. During the employment process, the age of the applicants is verified with identification documents to ensure no underage labour is employed. All our employees are protected by clearly defined employment contracts, and shall work as per their own volition with freedom to express their opinions. A formal complaint procedure is in place to facilitate any escalation to the management from our employees.

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding labour standards.

Supply chain management

We respect the laws and regulations that govern our business, and deal with our suppliers in a fair and unbiased manner. When selecting suppliers, we pay attention to their capability, quality, compliance status, pricing and certifications. Only suppliers that meet all our requirements are eligible to be appointed by the Group.

While it is one of our top priorities to secure our service quality, we also care about the ESG compliance of our suppliers. During procurement, we take into consideration the environmental impact of the products to be purchased and prioritise options with the highest resource efficiency. Besides environmental factors, we also consider the social compliance of suppliers when procuring from them. Any supplier misconduct found regarding the environment or social compliance may result in the termination of cooperation.

Product responsibility

Customer feedback channels

We value customer opinion and have in place an effective customer feedback and complaint mechanism. Through telephone calls or emails, customers may raise their opinion and our staff will register the detail of the complaint, identify the reasons behind it and arrange the department and person in charge of handling the complaint. All information relevant to the complaint will be kept confidential, and relevant departments are required to review the complaint-handling mechanism in a timely manner and learn from its experience to prevent recurrences of similar incidents.

Protection of customer privacy

The Group has established a non-disclosure mechanism to ensure customer confidentiality. All access to customer information is well recorded in the system or in other document forms. Only authorised department staff have the right to access customer information, and no staff are allowed to take documents away from the office.

Protection of intellectual property rights

The Group respects intellectual property rights and prohibits any act that may violate these rights. We provide legally licensed software for all our staff and prohibit the use or installation of pirated software.

Product quality and safety

To ensure product quality and safety, we only work with reputable, mature automobile distributors that meet industry regulations and comply with relevant ESG regulations. As we continue to develop our automobile business, we will continue to seek qualified suppliers so as to ensure the quality and safety of our products.

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding product responsibility.

Anti-corruption

The Group is committed to achieving the highest standards of openness, probity and accountability. To ensure employees at all levels can conduct themselves with integrity, impartiality and honesty, the Group strictly follows the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and the Criminal Law of the People's Republic of China.

All our employees are made aware of our zero tolerance against bribery, extortion, fraud or money laundering whether in dealing with public officials or individuals in the private sector. All staff of the Group are not allowed to demand or accept any advantage, including money, gifts, rewards, services or privileges, in connection with their duties.

A relevant control system has been set up to prevent corruption. Employees are encouraged to report any legitimate concern over any suspected unethical acts, and shall not suffer from any form of retribution for false allegations brought out of good faith. Any confirmed violations will result in warning, disciplinary actions or even termination of employment depending on the level of severity of the incident.

Regulatory compliance

During the reporting period, we were not aware of any material non-compliance with laws and regulations regarding anti-corruption.

Community investment

The Group cares for the community and encourages employees to actively participate in community development activities. We are committed to enhancing the development of the respective communities in which we operate, integrating with our core business and promulgating the general support of our communities. We support initiatives that serve the needs and improve the quality of life of the socioeconomically disadvantaged with the aim to foster social harmony in the communities we serve.

Care for children with autism

In April 2018, the Group organised a visit to a kindergarten serving autistic children in Shanghai. We believe every child is equal and deserves equal treatment without labelling. Through our visit, we hope to bring the children joy and confidence.

Donation to charitable causes

During the reporting period, we had donated to several charitable organisations. For example, we have participated in WWF's Earth Hour and made donations to World Vision Hong Kong and the Community Chest of Hong Kong.

Appendix I: HKEX ESG content index

	Aspect	Section	Remarks
A	**Environmental**		
A1	**Emissions**	Emissions	—
A1.1	Types of emissions and respective emission data	Emissions	—
A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume per facility)	Emissions	—
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	—	Given the nature of our business, we do not produce any significant amount of hazardous waste.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Emissions	—
A1.5	Description of measures to mitigate emissions and result achieved	Emissions	—
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Emissions	—
A2	**Use of resources**	Use of resources	—
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Use of resources	—
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of resources	—
A2.3	Description of energy use efficiency initiatives and result achieved	Use of resources	—

	Aspect	Section	Remarks
A2.4	Description of whether any issue exists in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Use of resources	Our water usage is supplied by the municipals and we do not anticipate any potential risk in sourcing for water.
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	—	Due to the nature of our business, the amount of packaging material used in our operation is insignificant.
A3	**Environment and natural resources**	Environment and natural resources	The significant environmental issues in our business are already disclosed in sections 3.1 and 3.2.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	—	
B	**Social**		
B1	**Employment**	Employment and labour practices	—
B2	**Health and safety**	Health and safety	—
B3	**Development and training**	Development and training	—
B4	**Labour standards**	Prevention of child and forced labour	—
B5	**Supply chain management**	Supply chain management	—
B6	**Product responsibility**	Product responsibility	—
B7	**Anti-corruption**	Anti-corruption	—
B8	**Community investment**	Community investment	—

The Directors present this annual report and the audited consolidated financial statements of the Group for the Year.

Principal Activities

The Company is an investment holding company and its subsidiaries are principally engaged in property investment in the PRC. The principal activities of its subsidiaries are set out in note 21 to the financial statements.

Business Review

A detailed business review of the Group for the Year as required by section 388 and Schedule 5 to the Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, an indication of likely future developments in the Group's business and an analysis of the Group's performance using financial key performance indicators, is set out in the "Chairman's Statement", the "Management Discussion and Analysis" and the "Five-year Financial Summary". Important events affecting the Group are provided under the "Event after the Reporting Date".

Environmental Policies and Performance

The Group is committed to promoting sustainable development and focusing on environmental protection in the business operation. Environmental policies have been adopted by the Group to ensure the business is conducted in the environmentally-friendly manner.

The Group has also reviewed its environmental policies and performance from time to time to minimise the environmental impacts of its business operation. During the Year, the Company was not aware of any incidents of significant non-compliance to relevant environmental policies, laws and regulations. Details regarding the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" of this annual report.

Compliance with the Relevant Laws and Regulations

The Group complies with the requirements under the Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") for the disclosure of information and corporate governance. The Group also complies with the requirements of the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group. No important event affecting the Group has occurred since the end of the Year.

Key Risks and Uncertainties

Details of the key risks and uncertainties are set out in the section of "Management Discussion and Analysis" of this report.

Relationships with Stakeholders

Details of the relationships with stakeholders are set out in the section of "Management Discussion and Analysis" of this report.

Financial Statements and Appropriations

The financial performance of the Group for the Year is set out in the consolidated statement of profit or loss on page 61.

The Board does not recommend the payment of a final dividend for the Year (2017: Nil).

Reserves

Movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on pages 65 to 66.

Movements in the reserves of the Company during the Year are set out in note 18(d) to the financial statements.

Investment Properties

Details of movements in the investment properties of the Group during the Year are set out in note 11 to the financial statements.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 12 to the financial statements.

Principal Properties

Details of the principal properties of the Group as at 31 December 2018 are set out on pages 127 to 129.

Subsidiaries

Details of the Company's subsidiaries as at 31 December 2018 are set out in note 21 to the financial statements.

Share Capital

Details of the movements in share capital of the Company during the Year are set out in note 18(a) to the financial statements.

Fund Raising

First Placing

On 10 February 2017, the Company and a placing manager entered into a placing agreement, pursuant to which the placing manager has conditionally agreed to procure, on a best effort basis, 52,300,000 new shares to be placed to not less than six independent placees, who are professional, institutional and/or other investor(s) who are third parties independent of and are not connected with the Company and its connected persons, at a placing price of HK$1.44 per placing share (the "**First Placing**"). The net price to the Company of each placing share is approximately HK$1.43. The market price of the shares on the date when the issuance terms were determined (i.e. 10 February 2017) was HK$1.75.

The First Placing was completed on 24 February 2017 and the gross proceeds and net proceeds from the First Placing were approximately HK$75.31 million and HK$74.72 million, respectively.

Second Placing

On 3 November 2017, the Company and a placing manager entered into a placing agreement, pursuant to which the placing manager has conditionally agreed to procure, on a best effort basis, 31,390,000 new shares to be placed to not less than six independent placees, who are professional, institutional and/or other investor(s) who are third parties independent of and are not connected with the Company and its connected persons, at a placing price of HK$1.50 per placing share (the "**Second Placing**", together with the First Placing, the "**Placings**"). The net price to the Company of each placing share is approximately HK$1.49. The market price of the shares on the date when the issuance terms were determined (i.e. 3 November 2017) was HK$1.78.

The Second Placing was completed on 30 November 2017 and the gross proceeds and net proceeds from the Second Placing were approximately HK$47.09 million and HK$46.67 million, respectively.

For details of the Placings, please refer to the Company's announcements dated 10 February 2017, 24 February 2017, 3 November 2017 and 30 November 2017, respectively.

The intended and actual use of proceeds from the Placings up to 31 December 2018 is set out as follows:

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds up to 31 December 2018	Unutilized proceeds	Expected timeline for utilised net proceeds
First Placing	Approximately HK$74.72 million	For		Approximately HK$52.78 million, of which	By 2019
		(i) general working capital and/or	(i) Approximately HK$21.94 million had been applied towards the general working capital of the Group (i.e. rental expenses, remuneration of directors and employees, legal and professional fees and other administrative expenses); and	(i) approximately HK$12.81 million will be applied as general working capital of the Group for 2019; and	
		(ii) financing future investment or new business development as and when opportunities arise	(ii) Nil	(ii) (a) approximately HK$28.00 million will be used for the settlement of the consideration of the Acquisition and its related taxes and expenses, as disclosed in "Future Plans for Material Investments or Capital Assets" above, by the first half of 2019; and	
				(b) approximately HK$11.97 million will be used as intended in 2019	
Second Placing	Approximately HK$46.67 million	For (i) general working capital and/or	(i) Approximately HK$7.43 million had been applied for the construction and development of the Automobile City; and	Approximately HK$39.24 million will be applied for the construction and development of the Automobile City, and its subsequent expansion during 2019–2020	By 2020
		(ii) financing future investment or new business development as and when opportunities arise	(ii) Nil		

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 130.

Distributable Reserves of the Company

As at 31 December 2018, the Company's reserves available for distribution, calculated under sections 291, 297 and 299 of the Companies Ordinance, consisted of retained profits of approximately HK$167.90 million (2017: HK$182.87 million).

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

Equity-linked Agreement

Share Option Scheme

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or invested entity; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the Shareholders on 14 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The remaining life of the Scheme is one year.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "**Limit**") must not in aggregate exceed 26,168,491 shares, representing 10% of the ordinary shares of the Company in issue on 14 May 2010, the date on which the Scheme was adopted. The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of options in the 12-month period up to and including the date of such further grant in excess of this Limit is subject to the Shareholders' approval in a general meeting of the Company.

Each grant of options to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive Directors, other than an independent non-executive Director who is proposed to be a grantee. In addition, any grant of options to a substantial shareholder or an independent non-executive Director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, is subject to Shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the options granted is determined by the Board, save that such a period shall not be more than 10 years from the date of offer of the options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the Board at its sole discretion, there is no requirement of minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the options is determinable by the Board, but shall not be less than the highest of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the options which must be a trading day; and

(ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer.

No options have been granted under the Scheme since its adoption.

As at the date of this report, the total number of securities available for issue under the Scheme is 26,168,491, representing approximately 7.58% of the issued shares of the Company.

Save as disclosed above, no equity-linked agreement was entered into during the Year or subsisted at the end of the Year.

Directors

The Directors during the Year and up to the date of this report are:

Executive Directors:
Mr. JIANG Tian *(Chairman and Chief Executive)* (appointed as Chief Executive on 31 August 2018)
Ms. HOU Yingxuan *(Vice-President)*
Mr. GONG Biao *(Vice-President)*
Mr. GAO Keqin* (appointed on 1 December 2018)
Mr. LAI Han *(Chief Executive)*** (resigned on 31 August 2018)

Non-executive Director:
Mr. CHAI Yuet

Independent Non-executive Directors:
Mr. HU Jianxing
Mr. TSEUNG Yuk Hei Kenneth
Mr. JI Qing* (appointed on 3 May 2018)
Ms. LI Ping** (resigned on 3 May 2018)

* *Mr. JI Qing and Mr. GAO Keqin were appointed as the Directors on 3 May 2018 and 1 December 2018, respectively.*

** *Each of Ms. LI Ping and Mr. LAI Han resigned as a Director on 3 May 2018 and 31 August 2018, respectively because they would like to concentrate on other business commitments.*

In accordance with Article 104(A) of the Article of Association, Mr. GONG Biao, Mr. CHAI Yuet and Mr. HU Jianxing shall retire at the forthcoming AGM and be eligible for re-election by the shareholders at the forthcoming AGM.

Further, in accordance with Article 95 of the Articles of Association, Mr. GAO Keqin shall only hold office until the forthcoming AGM and shall then be eligible for re-election by the Shareholders at the forthcoming AGM.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to the requirement of Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Biographical Details of Directors

The biographical details of the Directors are set out on pages 11 to 13 of this report.

Directors' Service Contracts

No Director proposed for re-election at the forthcoming AGM has a service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Updates on Directors' Information

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

Mr. GAO Keqin was appointed as a supervisor of Anshan Jian Xin Property Management Company Limited* (鞍山建新物業管理有限公司) on 20 December 2018 and a director of Poppins Properties (Shanghai) Co., Ltd.* (博平置業(上海)有限公司) on 24 December 2018, both of which are subsidiaries of the Company.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted at the end of the Year or at any time during the Year.

Indemnity of Directors

The Company has maintained appropriate directors and officers liability insurance and such permitted indemnity provision (as defined in section 469 of the Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout the Year.

Directors' Interest in a Competing Business

As at 31 December 2018, the Directors were not aware of any business or interest of the Directors and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have within the Group.

Directors of Subsidiaries

Up to the date of this report, the subsidiaries of the Company (the "**Subsidiaries**") and the particulars of the Subsidiaries are listed out as follows:

Name of subsidiaries	Place/Country of incorporation/operations	Principal activities	List of directors
Adamgate Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Capital Head Investment Limited	Hong Kong	Property Investment in Shanghai, the PRC	Ms. HOU Yingxuan Mr. GONG Biao
Concord Trinity Development Limited	Hong Kong	Property Investment in Shanghai, the PRC	Ms. HOU Yingxuan Mr. GONG Biao
Dragon Intellect Holdings Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Glory South Investment Limited	Hong Kong	Property Investment	Ms. HOU Yingxuan
Jelson Enterprises Limited	Hong Kong	Property Investment in Shanghai, the PRC	Ms. HOU Yingxuan
Max Benefit Group Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Poppins Properties Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Shanghai Chengzhi Automobile Sales Co., Ltd* (上海誠郅汽車銷售有限公司)	PRC	Sale of Cars and Provision of Automobile Tertiary Services	Mr. GONG Biao Mr. GAO Keqin Mr. DAN Zeng Sang Pan
Sino Season Investments Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Splendid Maple Investments Limited	British Virgin Islands	Investment Holding	Ms. HOU Yingxuan
Poppins Properties (Shanghai) Co., Ltd.* (博平置業(上海)有限公司)	PRC	Property Investment in Shanghai, the PRC	Mr. GONG Biao Mr. YAN Min Mr. GAO Keqin
Shanghai Tian Xi Vehicle Service Company Limited* (上海天禧車業服務有限公司)	PRC	Sale of Cars and Provision of Automobile Tertiary Services	Mr. GAO Keqin
Anshan Jian Xin Property Management Company Limited* (鞍山建新物業管理有限公司)	PRC	Investment Holding	Mr. GONG Biao

* *The English translation of the name of subsidiaries is for reference only. The official names of these subsidiaries are in Chinese.*

Arrangements to Purchase Shares or Debentures

Save as the Scheme as disclosed in note 18(d) to the financial statements, at no time during the Year was the Company or any of its holding company or subsidiaries a party to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2018, the following Directors or the Chief Executive had interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Long positions in the shares of the Company

		Number of Shares interested			
Name of director	**Capacity/ Nature of Interest**	**Direct interests**	**Deemed interests**	**Total interests**	**Percentage of the issued shares of the Company***
Mr. JIANG Tian	Beneficial owner	4,880,000	—	192,056,577	55.61%
	Interest in a controlled corporation	—	187,176,577 *(Note 1)*	—	

Long positions in the shares of the associated corporations

Name of director	Name of associated corporation	Capacity	Number of shares held	Percentage of the issued shares of associated corporation*
Mr. JIANG Tian	Hopevision Group Ltd. *(Note 2)*	Interest in a controlled corporation	1	100%
	Hong Kong Hopevision International Limited	Interest in a controlled corporation	1	100%
	Shanghai Chongsheng Investment Management Co., Ltd. *(Note 2)*	Beneficial owner	N/A	99%
Mr. GONG Biao	Shanghai Chongsheng Investment Management Co., Ltd. *(Note 2)*	Beneficial owner	N/A	1%

Notes:

1. *Mr. JIANG Tian was deemed to be interested in 192,056,577 shares of the Company, among which 187,176,577 shares of the Company were held by Hopevision Group Ltd. and 4,880,000 shares of the Company were held in his own capacity.*

2. *Hopevision Group Ltd. was indirectly wholly owned by Shanghai Chongsheng Investment Management Co., Ltd., whose registered capital of RMB50,000,000 was in turn owned as to 99% by Mr. JIANG Tian and 1% by Mr. GONG Biao.*

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2018.*

Save as disclosed above, as at 31 December 2018, none of the Directors or the Chief Executive had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

None of the Directors nor the Chief Executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) during the Year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, as at 31 December 2018, the following parties had interests in 5% or more of the Company's issued shares:

Long positions in the shares of the Company

		Number of shares interested			
Name of substantial Shareholder	**Capacity/ Nature of Interest**	**Direct interests**	**Deemed interests**	**Total interests**	**Percentage of the issued shares of the Company***
Hopevision Group Ltd.	Beneficial owner	187,176,577	—	187,176,577	54.20%
Shanghai Chongsheng Investment Management Co., Ltd.	Interested in a controlled corporation	—	187,176,577 *(Note 1)*	187,176,577	54.20%
Smart Emperor Global Limited	Beneficial owner	20,930,000	—	20,930,000	6.06%
Ms. Su Shan	Interested in a controlled corporation	—	20,930,000 *(Note 2)*	20,930,000	6.06%

Notes:

1. *The share capital of Hopevision Group Ltd. was wholly owned by Hong Kong Hopevision International Limited, which was wholly owned by Shanghai Chongsheng Investment Management Co., Ltd., which was owned as to 99% by Mr. JIANG Tian. Accordingly, Mr. JIANG Tian and Shanghai Chongsheng Investment Management Co., Ltd were deemed to be interested in the 187,176,577 shares of the Company held by Hopevision Group Ltd.*

2. *The share capital of Smart Emperor Global Limited was wholly owned by Ms. SU Shan. Accordingly, Ms. SU Shan was deemed to be interested in the 20,930,000 shares of the Company held by Smart Emperor Global Limited.*

* *The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 31 December 2018.*

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above) who, as at 31 December 2018, had an interest or a short position in the shares, underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the any, or which would be recorded in the register kept by the Company under section 336 of the SFO.

Management Contracts

No contracts (other than the employment contracts) concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

Major Customers and Suppliers

For the Year, the Group's five largest tenants accounted for approximately 94.09% of the Group's revenue for the leasing of the investment properties in the PRC and approximately 57.74% of the Group's turnover for the leasing of the investment properties in the PRC was attributable to the largest tenant.

For the Year, the Group had no major suppliers due to the nature of the principal activities of the Group.

Our major customers include food and beverage management companies and companies engaging in entertainment and leisure activities. The years of business relationship with the Group over 10 years and details of the trade and retention receivables of the Group as at 31 December 2018 are set out in notes 15 and 25(d) to the financial statements. Up to the date of this report, 100% of the trade receivables from the major customers had been settled.

Rents from leasing of investment properties are normally received in advance without credit terms to tenants. It may cause financial loss to the Group due to failure to discharge an obligation by the counterparties. In order to mitigate such risk, the Group normally receives 2 months rental deposit and deposits may be withheld by the Group in part or in whole if receivables due from tenants are not settled or in case of other breaches of contracts. Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality, before setting a credit limit on the new contracts. Credit limits assigned to customers are reviewed once a year. Also, the Group maintains good relationship with existing customers and notice/debit notes will be provided for reminder/settlement purpose.

During the Year, the Group has not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties. We did not have any material dispute with our customers.

None of the Directors or their respective close associates or any of the Shareholders (who owns more than 5% of the Company's number of the issued shares) has any interest in any of the Group's five largest customers during the Year.

Corporate Governance

The corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" of this report.

Continuing Connected Transaction

During the Year, the Group entered into tenancy agreements with Sky Fortune Boutique Hotel Shanghai (a company formerly indirectly held as to more than 30% by Mr. JIANG), which constituted continuing connected transactions and related party transactions and are set out in note 22(b) to the financial statements.

As at 31 December 2018, the above tenancy agreements ceased to constitute continuing connected transactions of the Company, details of which are set out in note 22(b) to the financial statements.

The continuing connected transaction under the above tenancy agreement falls within the de minimis threshold under Rule 14A.76(1) of the Listing Rules and therefore is exempted from the reporting, annual review, announcement and independent shareholders' approval requirements contemplated under the Listing Rules.

Charitable Donations

During the Year, the Group made charitable donations amounting to approximately HK$10,000 (2017: HK$12,000).

Segment Information

An analysis of the Group's performance for the Year by reportable segment is set out in note 5 to the financial statements.

Emolument Policy

The emolument policy of the employees of the Group is formulated and approved by the Board based on the employees' merit, qualification and competence.

The emoluments of the Directors are determined by the Board, having regard to the Company's operating results, individual performance and comparable market statistics, based on the recommendation of the Remuneration Committee.

Dividends

The Board does not recommend the payment of a final dividend for the Year (2017: HK$ nil).

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float of at least 25% of the Company's total issued shares as required under the Listing Rules for the Year.

Event after the Reporting Date

On 26 March 2019, the Group entered into sale and purchase agreements to acquire the 11 contiguous double deck shop units within a 2-storey retail building in a private housing estate located in Liaoning Province, the PRC, at a cash consideration of approximately RMB20.4 million.

Auditor

KPMG will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the AGM.

On behalf of the Board

JIANG Tian
Chairman of the Board
Hong Kong, 26 March 2019

Independent auditor's report

to the shareholders of Great China Holdings Limited

(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Great China Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 61 to 126, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties

Please refer to note 11 to the consolidated financial statements and the accounting policies in note 2(e).

The Key Audit Matter	How the matter was addressed in our audit
The Group's investment properties comprise shops, residential apartments and car parking lots located in Shanghai. Investment properties are stated in the consolidated statement of financial position at their fair values which totaled HK$544 million as at 31 December 2018 and represented 77% of the Group's total assets as at that date. A revaluation loss of HK$4 million was recorded in the consolidated statement of profit or loss which accounted for 87% of the Group's loss before taxation for the year ended 31 December 2018. The fair values of the investment properties were assessed by the management based on valuations prepared by an independent firm of professional surveyors which required the exercise of significant judgement and estimation, particularly in relation to determining market yields. We identified valuation of investment properties as a key audit matter because of the significance of investment properties to the Group's consolidated financial statements and because the valuation of investment properties is inherently subjective and requires the exercise of significant judgement and estimation which increases the risk of error or potential management basis.	Our audit procedures to assess the valuation of investment properties included the following: • evaluating the independence, competence, capabilities and objectivity of the surveyors which included assessing the professional surveyors' qualifications and experience and making inquiries regarding interests and relationships that may have created a threat to the surveyors' objectivity; • obtaining and inspecting the valuation report prepared by the professional surveyors engaged by the Group and on which the management's assessment of the fair values of the investment properties was based; • discussing with professional surveyors their approach to the valuations and their findings and assessing whether there were any limitations of scope or restrictions placed upon their work; • assessing the valuation methodologies adopted by the professional surveyors with reference to applicable and recognised industry standards; and • comparing key inputs to the valuations including monthly rents, market yields and available space by comparison with market available information and/or lease contracts and related underlying documentation on a sample basis.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe the matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yu Wai Sum.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Revenue	4	24,349	22,448
Cost of sales		(2,486)	(2,582)
Gross profit		21,863	19,866
Other income	6	1,751	1,424
Administrative expenses		(24,208)	(19,261)
Net valuation (loss)/gain on investment properties	11	(3,824)	59,560
(Loss)/profit from operations		(4,418)	61,589
Finance costs		—	—
(Loss)/profit before taxation	7	(4,418)	61,589
Income tax	8	(2,278)	(15,003)
(Loss)/profit for the year attributable to equity shareholders of the Company		(6,696)	46,586
(Loss)/earnings per share	10		
— Basic and diluted (HK cents)		(1.94)	15.08

The notes on pages 69 to 126 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	2018 HK$'000	2017 HK$'000
(Loss)/profit for the year	**(6,696)**	46,586
Other comprehensive income for the year (after tax)		
Item that may be reclassified subsequently to profit or loss:		
Exchange difference arising from translation of financial statements of overseas subsidiaries	**(22,356)**	31,335
Other comprehensive income for the year	**(22,356)**	31,335
Total comprehensive income for the year attributable to equity shareholders of the Company	**(29,052)**	77,921

The notes on pages 69 to 126 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties	11	**544,491**	572,132
Property, plant and equipment	12	**9,390**	2,740
Trademark	13	**108**	106
Trade and other receivables, prepayments and deposits	15	**6,678**	5,947
Deferred tax assets	17	**87**	153
		560,754	581,078
Current assets			
Properties held for sale	14	**6,437**	6,718
Trade and other receivables, prepayments and deposits	15	**3,357**	13,633
Tax recoverable		**269**	269
Short-term bank deposits	16(a)	**81,722**	127,232
Bank balances and cash	16(b)	**59,038**	11,931
		150,823	159,783
Current liabilities			
Other payables and accrued expenses		**25,987**	24,699
Rental deposits received		**265**	238
Tax payable		**207**	34
		26,459	24,971
Net current assets		**124,364**	134,812
Total assets less current liabilities		**685,118**	715,890

The notes on pages 69 to 126 form part of these financial statements.

As at 31 December 2018

(Expressed in Hong Kong dollars)

	Note	**2018** **HK$'000**	2017 HK$'000
Non-current liabilities			
Other payables and accrued expenses		**1,403**	—
Rental deposits received		**4,050**	4,264
Deferred tax liabilities	*17*	**77,938**	80,847
		83,391	85,111
NET ASSETS		**601,727**	630,779
CAPITAL AND RESERVES	*18*		
Share capital		**193,246**	193,246
Reserves		**408,481**	437,533
TOTAL EQUITY		**601,727**	630,779

Approved and authorised for issue by the board of directors on 26 March 2019 and signed on its behalf by:

HOU Yingxuan
Director

GONG Biao
Director

The notes on pages 69 to 126 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	Share capital HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000
		18(a)	18(c)(i)	18(c)(ii)		
At 1 January 2017		71,853	61,236	—	298,376	431,465
Profit for the year		—	—	—	46,586	46,586
Other comprehensive income for the year						
— Exchange difference arising from translation of financial statements of overseas subsidiaries		—	31,335	—	—	31,335
Total comprehensive income for the year		—	31,335	—	46,586	77,921
Transfer from retained profits		—	—	72	(72)	—
Placing of new shares	*18(a)*	121,393	—	—	—	121,393
At 31 December 2017		193,246	92,571	72	344,890	630,779

The notes on pages 69 to 126 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	Share capital HK$'000 18(a)	Exchange reserve HK$'000 18(c)(i)	Statutory reserve HK$'000 18(c)(ii)	Retained profits HK$'000	Total HK$'000
At 1 January 2018		193,246	92,571	72	344,890	630,779
Loss for the year		—	—	—	(6,696)	(6,696)
Other comprehensive income for the year						
— Exchange difference arising from translation of financial statements of overseas subsidiaries		—	(22,356)	—	—	(22,356)
Total comprehensive income for the year		—	(22,356)	—	(6,696)	(29,052)
Transfer from retained profits		—	—	61	(61)	—
At 31 December 2018		193,246	70,215	133	338,133	601,727

The notes on pages 69 to 126 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	**2018** **HK$'000**	2017 HK$'000
Operating activities			
(Loss)/profit before taxation		**(4,418)**	61,589
Adjustments for:			
Amortisation of trademark	*7(b), 13*	**13**	6
Depreciation of property, plant and equipment	*7(b), 12*	**948**	761
Net valuation loss/(gain) on investment properties	*11*	**3,824**	(59,560)
Loss on disposal of property, plant and equipment	*7(b), 12*	**1**	48
Bank interest income	*6*	**(1,573)**	(801)
Other interest income	*6*	**(163)**	(613)
Operating cash flows before movements in working capital		**(1,368)**	1,430
(Increase)/decrease in trade and other receivables, prepayments and deposits		**(1,698)**	1,491
Increase in other payables and accrued expenses		**1,889**	559
Increase in rental deposits received		**2**	100
Cash (used in)/generated from operations		**(1,175)**	3,580
Overseas tax paid		**(1,539)**	(1,483)
Net cash (used in)/generated from operating activities		**(2,714)**	2,097

The notes on pages 69 to 126 form part of these financial statements.

For the year ended 31 December 2018

(Expressed in Hong Kong dollars)

	Note	2018 HK$'000	2017 HK$'000
Investing activities			
Bank interest received		1,522	770
Other interest received		—	819
Loan repaid by a third party		11,949	—
Loan to a third party		—	(11,693)
Payment for purchase of property, plant and equipment		(6,195)	(763)
Payment for registration of trademark	13	(16)	(111)
Net cash generated from/(used in) investing activities		7,260	(10,978)
Financing activity			
Net proceeds from placing	18(a)	—	121,393
Net cash generated from financing activity		—	121,393
Net increase in cash and cash equivalents		4,546	112,512
Cash and cash equivalents at 1 January		139,163	25,261
Effect of foreign exchange rate changes		(2,949)	1,390
Cash and cash equivalents at 31 December	16	140,760	139,163
Analysis of balances of cash and cash equivalents			
Bank balances and cash	16(b)	59,038	11,931
Short-term bank deposits maturing within three months	16(a)	81,722	127,232
		140,760	139,163

The notes on pages 69 to 126 form part of these financial statements.

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General information

Great China Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company is Room 1512, 15/F, New World Tower 1, 16–18 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activity of its subsidiaries are property investment in the People's Republic of China (the "PRC"). The Company and its subsidiaries are collectively referred to as the "Group".

The functional currency of the Company is Hong Kong dollars ("HK$") and the functional currency of its operations in the PRC is Renminbi ("RMB").

2 Significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective terms includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group does not intend to early adopt any of these amendments or new standards. There are no changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the investment properties stated at their fair value as explained in the accounting policies set out in note 2(e).

2 Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Accounting policies of the financial statements

(i) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	*Financial instruments*
HKFRS 15	*Revenue from contracts with customers*
HK(IFRIC) 22	*Foreign currency transactions and advance consideration*

HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, and a new expected credit loss model that replaces the incurred loss model under HKAS 39 with the result that a loss event will no longer need to occur before a loss allowance is recognised.

The adoption of HKFRS 9 does not have a significant impact on these financial statements.

2 Significant accounting policies *(Continued)*

(c) Accounting policies of the financial statements *(Continued)*

(i) Changes in accounting policies *(Continued)*

HKFRS 9, *Financial instruments (Continued)*

Expected impacts of the new requirements on the Group's consolidated financial statements are as follows:

(i) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss ("FVTPL") and (3) fair value through other comprehensive income ("FVTOCI"). The classification is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The Group did not designate or re-designate any financial assets or financial liability at FVTPL.

(ii) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

The adoption of expected credit loss model under HKFRS 9 does not have material impact on the carrying amounts of the Group's financial assets.

HKFRS 15, *Revenue from contracts with customers*

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

2 Significant accounting policies *(Continued)*

(c) Accounting policies of the financial statements *(Continued)*

(i) Changes in accounting policies (Continued)

HKFRS 15, *Revenue from contracts with customers (Continued)*

(i) Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. Transfer of significant risk and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on these financial statements since the Group recognises revenue from rental income under HKAS 17, *Leases*.

HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity pays or receives advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial positions and the financial results of the Group.

2 Significant accounting policies *(Continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation.

Investment properties are stated at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(q)(i).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis.

2 Significant accounting policies *(Continued)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements	over the shorter of the term of the lease or 5 years
— Motor vehicles	4 years
— Furniture, fixtures and office equipment	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction-in-progress represents the direct cost of construction. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for the intended use.

(g) Intangible assets (trademark)

Intangible assets represent the trademark registered by the Group and are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of 7 to 10 years.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2 Significant accounting policies *(Continued)*

(h) Leased assets *(Continued)*

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(e)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(e)) or is held for sale.

2 Significant accounting policies *(Continued)*

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following item:

— financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 Significant accounting policies *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(A) Policy applicable from 1 January 2018 (Continued)

Measurement of ECLs *(Continued)*

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

2 Significant accounting policies *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Significant increases in credit risk *(Continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(q)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

2 Significant accounting policies *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 January 2018 (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence existed, an impairment loss was determined and recognised as follows:

— For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material.

2 Significant accounting policies *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(i) Credit losses from financial instruments *(Continued)*

(B) Policy applicable prior to 1 January 2018 (Continued)

This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment (see note 2(f));

— intangible assets; and

— investments in subsidiaries in the company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

2 Significant accounting policies *(Continued)*

(i) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of other non-current assets *(Continued)*

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 Significant accounting policies *(Continued)*

(j) Properties held for sale

Properties held for sale, which represent unsold completed properties, are stated at the lower of cost and net realisable value. The cost of properties comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price in the ordinary course of business less costs to be incurred in selling the property.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less loss allowance (see note 2(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less loss allowance.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 Significant accounting policies *(Continued)*

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(e), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the end of the reporting period unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2 Significant accounting policies *(Continued)*

(o) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to realise the assets and settle the liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or realised, intend to realise the current tax assets and settle the current tax liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 Significant accounting policies *(Continued)*

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from rental income excludes value added tax.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method (see note 2(i)).

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve (see note 18(c)(i)).

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 Significant accounting policies *(Continued)*

(s) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Significant accounting policies *(Continued)*

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties

As described in note 11, investment properties are stated at fair value based on the valuation performed by an independent firm of professional surveyors after taking into consideration the comparable market transactions, the rental income and market yields and reversionary income potential.

In determining the fair value of investment properties, the surveyors has based on a method of valuation which involves, inter alia, certain estimates including current monthly rents and current prices in an active market for similar properties in the same location and condition and appropriate discount rates. In relying on the valuation report, management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions as at the end of each reporting period.

(b) Estimates of current and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. The Group recognised income tax and other taxes based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalised with the local tax authorities.

(Expressed in Hong Kong dollars unless otherwise indicated)

4 Revenue

Revenue represents rental income earned during the year.

An analysis of the Group's revenue is as follows:

	2018	2017
	HK$'000	HK$'000
Shops	**21,377**	20,263
Residential	**2,430**	1,654
Car park	**542**	531
	24,349	22,448

For the year ended 31 December 2018, revenue from two (2017: two) customers of the Group's property investment in the PRC segment amounted to HK$14,058,000 and HK$3,599,000 (2017: HK$12,967,000 and HK$3,559,000), which each exceeded 10% of the Group's revenue.

The total future minimum lease payments received by the Group is set out in note 19(b)(ii).

5 Segment information

Information reported to the executive directors of the Company, being the chief operating decision-maker, for the purpose of resource allocation and assessment of segment performance focuses on the operating divisions of the Group.

The executive directors have identified the following reportable segments for the Group's operating segments. These segments are managed separately as each business offers different products and services and requires different business strategies.

(1) Property investment in the PRC — leasing of properties situated in the PRC (other than Hong Kong)

(2) Trading of properties — sale of properties situated in the PRC

(3) Automobile business — sale of cars and provision of tertiary services in the PRC

The accounting policies of the reportable segments are the same as the Group's accounting policies. There were no inter-segment sales between different operating segments for the year ended 31 December 2018 (2017: HK$nil). Segment revenue represents sales revenue from external customers. Segment profit or loss after tax represents net profit earned or loss incurred by each reportable segment without allocation of income and expenses of the Group's headquarters, corporate income and expenses and unallocated income tax credit or expense.

5 Segment information *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than the Group headquarters' corporate assets; and

— all liabilities are allocated to reportable segments other than the Group headquarters' corporate liabilities.

Information regarding the above segments is reported below.

Segment revenue and results

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Automobile business HK$'000	Total HK$'000
For the year ended 31 December 2018				
Reportable segment revenue	23,819	530	—	24,349
Reportable segment profit/(loss) after tax	11,559	(206)	(2,782)	8,571
Net corporate expenses				(15,201)
Unallocated income tax expense				(66)
Loss for the year				(6,696)

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Total HK$'000
For the year ended 31 December 2017			
Reportable segment revenue	21,796	652	22,448
Reportable segment profit after tax	58,359	1,843	60,202
Net corporate expenses			(13,916)
Unallocated income tax credit			300
Profit for the year			46,586

5 Segment information *(Continued)*

Segment assets and liabilities

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Automobile business HK$'000	Total HK$'000
At 31 December 2018				
Reportable segment assets	590,688	6,470	14,699	611,857
Unallocated corporate assets				99,720
Consolidated total assets				711,577
Reportable segment liabilities	87,779	15,816	3,568	107,163
Unallocated corporate liabilities				2,687
Consolidated total liabilities				109,850

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Total HK$'000
At 31 December 2017			
Reportable segment assets	585,458	6,743	592,201
Unallocated corporate assets			148,660
Consolidated total assets			740,861
Reportable segment liabilities	91,033	16,375	107,408
Unallocated corporate liabilities			2,674
Consolidated total liabilities			110,082

5 Segment information *(Continued)*

Segment assets and liabilities *(Continued)*

Unallocated corporate assets mainly comprised of property, plant and equipment which are used by the Group's headquarters, certain bank balances and cash and short-term bank deposits which are held as the general working capital of the Group as a whole and other corporate assets of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

Unallocated corporate liabilities mainly comprised of other payables and accrued expenses of the Group as a whole and other corporate liabilities of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

Other segment information

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Automobile business HK$'000	Corporate/ Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018					
Additions to property, plant and equipment *(note 12)*	36	—	7,642	209	7,887
Amortisation of trademark *(notes 7(b) & 13)*	—	—	—	13	13
Depreciation of property, plant and equipment *(notes 7(b) & 12)*	282	—	1	665	948
Loss on disposal of property, plant and equipment	1	—	—	—	1
Net valuation loss on investment properties *(note 11)*	3,824	—	—	—	3,824
Net exchange loss	1	—	—	778	779
Bank interest income *(note 6)*	(352)	—	(13)	(1,208)	(1,573)
Other interest income *(note 6)*	—	—	—	(163)	(163)
Income tax expense *(note 8)*	2,102	110	—	66	2,278

(Expressed in Hong Kong dollars unless otherwise indicated)

5 Segment information *(Continued)*

Other segment information *(Continued)*

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Corporate/ Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2017				
Additions to property, plant and equipment *(note 12)*	32	—	731	763
Amortisation of trademark *(notes 7(b) & 13)*	—	—	6	6
Depreciation of property, plant and equipment *(notes 7(b) & 12)*	260	—	501	761
Loss on disposal of property, plant and equipment	48	—	—	48
Net valuation gain on investment properties *(note 11)*	(59,560)	—	—	(59,560)
Net exchange loss	1	—	754	755
Bank interest income *(note 6)*	(408)	—	(393)	(801)
Other interest income *(note 6)*	—	—	(613)	(613)
Income tax expense/(credit) *(note 8)*	17,089	(1,786)	(300)	15,003

Geographical information

As the Group does not have material operations outside PRC, no geographic segment information is presented.

6 Other income

	2018 HK$'000	2017 HK$'000
Bank interest income *(note 5)*	1,573	801
Other interest income *(note 5)*	163	613
Sundry	15	10
	1,751	1,424

7 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

		2018 HK$'000	2017 HK$'000
(a)	**Staff costs**		
	Salaries, wages and other benefits (including directors' emoluments)	12,277	10,078
	Contributions to defined contribution retirement plans *(note)*	838	536
		13,115	10,614

Note:

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000 in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee.

For members of the MPF Scheme, both the Group and the employees contribute 5% of the employee's monthly remunerations or HK$1,500 (2017: HK$1,500) per month whichever is the smaller to the scheme. Contributions to the plan vest immediately. No forfeited contribution is available to reduce the contribution payable for the years ended 31 December 2018 and 2017.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total cost charged to profit or loss of HK$838,000 (2017: HK$536,000) represents contributions paid/payable to the above retirement benefit schemes, by the Group during the year.

		2018 HK$'000	2017 HK$'000
(b)	**Other items**		
	Auditor's remuneration	1,350	1,120
	Amortisation of trademark *(notes 5 &13)*	13	6
	Depreciation *(notes 5 &12)*	948	761
	Loss on disposal of property, plant and equipment	1	48
	Operating lease charges in respects of land and buildings	3,531	1,785
	Net exchange loss	779	755
	Gross rental income	(24,349)	(22,448)
	Less: direct operating expenses	2,486	2,582
	Net rental income	(21,863)	(19,866)

8 Income tax

(a) Income tax represents:

	2018 HK$'000	2017 HK$'000
Current tax — PRC Enterprise Income Tax	1,690	1,423
Deferred tax *(note 17)*	558	13,580
Under-provision in prior years	30	—
Income tax expense *(note 5)*	2,278	15,003

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK$2,000,000 of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2018 is calculated in accordance with the two-tiered profits tax rate regime (2017: a single tax rate of 16.5% was applied). The deferred tax has also been re-estimated (see note 17). No provision was made for Hong Kong Profits Tax as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2018 and 2017.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the PRC subsidiaries are subject to Enterprise Income Tax of tax rate of 25%.

Enterprise Income Tax arising from certain Hong Kong subsidiaries' operations in the PRC is calculated at tax rate of 10% (2017: 10%) on the rental income earned by these Hong Kong subsidiaries for the year.

8 Income tax *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 HK$'000	2017 HK$'000
(Loss)/profit before taxation	(4,418)	61,589
Tax on profit before taxation, calculated at tax rate of 16.5%	(729)	10,162
Effect of different tax rates of subsidiaries operating overseas	(336)	3,054
Tax effect of non-deductible expenses	616	1,060
Tax effect of non-taxable income	(256)	(1,340)
Tax effect of tax losses not recognised	2,823	2,067
Effect on deferred tax resulting from a change in tax rate	130	—
Under-provision in prior year	30	—
Income tax expense	2,278	15,003

(Expressed in Hong Kong dollars unless otherwise indicated)

9 Directors' emoluments and individuals with highest emoluments

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

For the year ended 31 December 2018

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Total HK$'000
Chairmen					
Mr. JIANG Tian (iii)	280	2,126	114	—	2,520
Executive directors					
Mr. LAI Han (x)	190	859	75	2	1,126
Ms. HOU Yingxuan (i)	280	1,125	18	330	1,753
Mr. GONG Biao	280	1,021	114	—	1,415
Mr. GAO Keqin (xi)	30	55	10	—	95
Non-executive director					
Mr. CHAI Yuet	280	15	—	—	295
Independent non-executive directors					
Mr. HU Jianxing	280	15	—	—	295
Mr. TSEUNG Yuk Hei Kenneth (v)	280	15	—	—	295
Mr. JI Qing (viii)	189	10	—	—	199
Ms. LI Ping (ix)	92	5	—	—	97
	2,181	5,246	331	332	8,090

9 Directors' emoluments and individuals with highest emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2017

	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Chairmen				
Mr. JIANG Tian (iii)	167	1,206	52	1,425
Mr. ZHOU Zheren (iv)	124	5	—	129
Executive directors				
Ms. GU Ming (vii)	280	290	—	570
Mr. LAI Han (x)	290	696	52	1,038
Ms. HOU Yingxuan (i)	251	785	15	1,051
Mr. GONG Biao	290	585	52	927
Ms. SHEN Li (ii)	43	2	2	47
Non-executive director				
Mr. CHAI Yuet	280	15	—	295
Independent non-executive directors				
Mr. HU Jianxing	290	16	—	306
Mr. TSEUNG Yuk Hei Kenneth (v)	40	2	—	42
Ms. Patricia Bee Kuen THOMAS (vi)	250	15	—	265
Ms. LI Ping (ix)	290	16	—	306
	2,595	3,633	173	6,401

9 Directors' emoluments and individuals with highest emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

(i) The director was appointed on 27 February 2017.

(ii) The director was resigned on 27 February 2017.

(iii) The director was appointed on 6 June 2017.

(iv) The director was retired on 6 June 2017.

(v) The director was appointed on 15 November 2017.

(vi) The director was resigned on 15 November 2017.

(vii) The director was resigned on 15 December 2017.

(viii) The director was appointed on 3 May 2018.

(ix) The director was resigned on 3 May 2018.

(x) The director was resigned on 31 August 2018.

(xi) The director was appointed on 1 December 2018.

(xii) No directors waived any emoluments during the year ended 31 December 2018 (2017: HK$nil).

(xiii) The discretionary performance bonus is determined having regard to the performance of individuals.

9 Directors' emoluments and individuals with highest emoluments *(Continued)*

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments in the Group, four (2017: four) are directors of the Company whose emoluments are included in the disclosure in note (a) above. The emoluments of the remaining one (2017: one) highest paid individual is as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and other benefits	**845**	784
Discretionary bonus	**65**	—
Retirement benefits costs — defined contribution plans	**18**	18
	928	802

The emoluments were within the following bands:

	Number of individual	
	2018	2017
Nil to $1,000,000	**1**	1

Note:

No emolument was paid or payable by the Group to any of the directors or the highest paid individual as an inducement to join or upon joining the Group, or as compensation for loss of office during the year ended 31 December 2018 (2017: HK$nil).

10 (Loss)/earnings per share

The calculation of basic earnings per share is based on the following (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

	2018 **HK$'000**	2017 HK$'000
(Loss)/profit for the year attributable to equity shareholders of the Company	**(6,696)**	46,586

	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue during the year	**345,374,910**	308,913,376

For the years ended 31 December 2018 and 2017, basic and diluted earnings per share are equal as there were no potential dilutive ordinary shares in issue.

For the year ended 31 December 2017, the weighted average number of shares for the purposes of calculating basis and diluted earnings per share has been adjusted for placing of new shares during the year.

11 Investment properties

	2018 **HK$'000**	2017 HK$'000
Fair value		
At 1 January	**572,132**	465,182
Exchange realignment	**(23,817)**	33,985
Transfer from properties held for sale to investment properties	**—**	13,405
Changes in fair value of:		
— transfer from properties held for sale ("PHS") to investment properties ("IP") (note 5)	**—**	52,076
— Investment properties held by the Group (note 5)	**(3,824)**	7,484
At 31 December	**544,491**	572,132

The Group's investment properties are measured using the fair value model and are leased to third parties under operating leases to earn rental income.

11 Investment properties *(Continued)*

(a) The analysis of carrying amount of Group's investment properties is as follows:

	2018 HK$'000	2017 HK$'000
Properties situated outside Hong Kong under:		
— Medium-term lease	544,491	572,132

(b) Fair value measurement of investment properties

Fair value hierarchy

The fair value of the Group's investment properties is measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

— Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

— Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

— Level 3 valuations: Fair value measured using significant unobservable inputs

As at 31 December 2018 and 2017, as certain of significant inputs used in the determination of fair value of investment properties are derivative from unobservable market data, the fair value measurement of all investment properties of the Group fall into in level 3 of the fair value hierarchy.

As at 31 December 2018, none of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 valuations (2017: nil).

During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Investment properties *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

Valuation process

The Group's investment properties were revalued as at 31 December 2018 and 2017 by Asset Appraisal Limited, an independent firm of professional surveyors who have among their staff Members of The Hong Kong Institute of Surveyors with experience in the PRC and category of property being valued.

The Group's management has reviewed the valuation results performed by the surveyors for financial reporting purposes by verifying all major inputs and assumptions, and assessing the reasonableness of property valuation.

Valuation methodologies

The valuations of investment properties in Shanghai were based on income capitalisation approach which capitalised the net income of the properties and taking into account the reversionary income potential of the properties after expiry of the current lease.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

As at 31 December 2018

Properties	Location	Valuation technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Apartment, shops and car park spaces	Shanghai, the PRC	Income capitalisation approach	Level 3	Market yield	3.00% to 5.00%	The higher the market yield, the lower the fair value
				Term yield	3.00% to 5.00%	The higher the term yield, the lower the fair value
				Reversionary yield	3.00% to 5.00%	The higher the reversionary yield, the lower the fair value

(Expressed in Hong Kong dollars unless otherwise indicated)

11 Investment properties *(Continued)*

(b) Fair value measurement of investment properties *(Continued)*

Valuation methodologies *(Continued)*

As at 31 December 2017

Properties	Location	Valuation technique	Fair value hierarchy	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Apartment, shops and car park spaces	Shanghai, the PRC	Income capitalisation approach	Level 3	Market yield	3.00% to 5.00%	The higher the market yield, the lower the fair value
				Term yield	3.00% to 5.00%	The higher the term yield, the lower the fair value
				Reversionary yield	3.00% to 5.00%	The higher the reversionary yield, the lower the fair value

The fair value measurement is based on the highest and best use of the investment properties, which does not differ from their actual use.

As at 31 December 2018 and 2017, no investment properties are pledged to secure banking facilities granted to the Group (note 20).

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Property, plant and equipment

	Leasehold improvements HK$'000	Motor vehicles HK$'000	Furniture, fixtures and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:					
At 1 January 2017	1,331	796	2,457	—	4,584
Exchange realignment	6	1	65	—	72
Additions *(note 5)*	—	707	56	—	763
Disposal	(164)	(34)	(171)	—	(369)
At 31 December 2017	1,173	1,470	2,407	—	5,050
At 1 January 2018	**1,173**	**1,470**	**2,407**	**—**	**5,050**
Exchange realignment	**—**	**—**	**(48)**	**(281)**	**(329)**
Additions *(note 5)*	**—**	**—**	**272**	**7,615**	**7,887**
Disposal	**—**	**—**	**(1,126)**	**—**	**(1,126)**
At 31 December 2018	**1,173**	**1,470**	**1,505**	**7,334**	**11,482**
Accumulated depreciation:					
At 1 January 2017	306	112	1,423	—	1,841
Exchange realignment	6	1	22	—	29
Charge for the year *(notes 5 and 7(b))*	224	206	331	—	761
Disposal	(164)	(34)	(123)	—	(321)
At 31 December 2017	372	285	1,653	—	2,310
At 1 January 2018	**372**	**285**	**1,653**	**—**	**2,310**
Exchange realignment	**—**	**—**	**(41)**	**—**	**(41)**
Charge for the year *(notes 5 and 7(b))*	**224**	**367**	**357**	**—**	**948**
Disposal	**—**	**—**	**(1,125)**	**—**	**(1,125)**
At 31 December 2018	**596**	**652**	**844**	**—**	**2,092**
Net book value:					
At 31 December 2018	**577**	**818**	**661**	**7,334**	**9,390**
At 31 December 2017	801	1,185	754	—	2,740

13 Trademark

	HK$'000
Cost:	
At 1 January 2017	—
Addition	111
Exchange realignment	1
At 31 December 2017	112
At 1 January 2018	**112**
Addition	**16**
Exchange realignment	**(2)**
At 31 December 2018	**126**
Accumulated amortisation:	
At 1 January 2017	—
Charge for the year *(notes 5 & 7(b))*	6
Exchange realignment	—
At 31 December 2017	6
At 1 January 2018	**6**
Charge for the year *(notes 5 & 7(b))*	**13**
Exchange realignment	**(1)**
At 31 December 2018	**18**
Net book value:	
At 31 December 2018 *(note 26)*	**108**
At 31 December 2017 *(note 26)*	106

14 Properties held for sale

	2018 HK$'000	2017 HK$'000
Properties held for sale		
— prepaid lease payments for land	1,978	2,064
— buildings	4,459	4,654
	6,437	6,718

The carrying amounts of prepaid lease payments for land of HK$1,978,000 (2017: HK$2,064,000) included in properties held for sale represent interest in land held by the Group under medium-term lease.

15 Trade and other receivables, prepayments and deposits

	2018 HK$'000	2017 HK$'000
Trade receivables, net *(note (a))*	1,430	189
Prepayments, deposits and other receivables, net *(note (b))*	8,605	19,391
Carrying amount at 31 December	10,035	19,580
Less: Current portion	(3,357)	(13,633)
Non-current portion	6,678	5,947

Apart from the balance of non-current portion expected to be recovered or recognised as expense after more than one year, all other trade and other receivables, prepayments and deposits are expected to be recovered or recognised as expense within one year.

15 Trade and other receivables, prepayments and deposits *(Continued)*

(a) Trade receivables

	2018	2017
	HK$'000	HK$'000
Trade receivables	**1,532**	295
Less: Loss allowance *(note 25(d))*	**(102)**	(106)
Trade receivables, net	**1,430**	189

Trade receivables represent the rental receivables from tenants. Rents from leasing of investment properties are normally received in advance without credit terms to tenants. Before accepting any new customer, the Group carries out research on the creditability of the new customer and assesses the potential customer's credit quality and sets credit limits by customer. Credit limits assigned to customers are reviewed once a year.

The ageing analysis of trade receivables (net of loss allowance), based on invoice dates, as of the end of the reporting period is as follows:

	2018	2017
	HK$'000	HK$'000
0–30 days	**1,430**	189

15 Trade and other receivables, prepayments and deposits *(Continued)*

(b) Prepayments, deposits and other receivables

	2018 HK$'000	2017 HK$'000
Prepayments and deposits	**1,728**	1,085
Other receivables (note i)	**6,877**	18,306
	8,605	19,391

Notes:

(i) As at 31 December 2017, included in other receivables is a secured three-month short-term loan to a third party of HK$12,012,000 (equivalent to approximately RMB10,000,000) bearing interest of 28% per annum and due in January 2018, which was fully settled in January 2018.

16 Short-term bank deposits/bank balances and cash

(a) Short-term bank deposits

Short-term bank deposits as at 31 December 2018 represented time deposits with an original maturity of three months or less. Short-term deposits earn market interest rate ranging from 0.22% to 3.0% per annum.

(b) Bank balances and cash

Bank balances and cash comprise cash held by the Group. Cash at banks earned interest at floating rates based on daily bank deposit rates.

Cash of the Group, HK$40,498,000 (2017: HK$17,430,000) are denominated in RMB and deposited with banks in the PRC which were subject to exchange controls. RMB is not freely convertible into other currencies.

17 Deferred taxation

The following are the components of deferred tax liabilities/(assets) recognised by the Group and movements thereon during the two years ended 31 December 2018 and 2017:

	Accelerated tax depreciation and effective rent	Revaluation of investment properties	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	9,942	52,511	—	62,453
Exchange realignment	709	3,952	—	4,661
Charged/(credited) to profit or loss *(note 8(a))*	1,402	12,437	(259)	13,580
At 31 December 2017 and 1 January 2018	**12,053**	**68,900**	**(259)**	**80,694**
Exchange realignment	**(530)**	**(2,871)**	**—**	**(3,401)**
Charged/(credited) to profit or loss *(note 8(a))*	**811**	**(383)**	**130**	**558**
At 31 December 2018	**12,334**	**65,646**	**(129)**	**77,851**

	2018	2017
	HK$'000	HK$'000
Represented by:		
Deferred tax liabilities	**77,938**	80,847
Deferred tax assets	**(87)**	(153)
Deferred taxation	**77,851**	80,694

As at 31 December 2018, the Group has unused tax losses of HK$46,754,000 (2017: HK$29,643,000) available for offset against future profits. A deferred tax asset of approximately HK$129,000 (2017: HK$259,000) has been recognised in respect of approximately HK$1,567,000 (2017: HK$1,567,000) of such losses. The Group has not recognised deferred tax assets in respect of the remaining tax losses of HK$45,187,000 (2017: HK$28,076,000) as it is not probable that sufficient future taxable profit against which the losses can be utilised will be available in relevant tax jurisdiction and entity. The tax losses has no expiry date.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of certain PRC subsidiaries amounting to HK$2,524,000 (2017: HK$2,255,000) as the Group is able to control the timing of the reversal of the temporary differences and it is not probable that these subsidiaries will distribute such profits in foreseeable future.

18 Capital, reserves and dividends

(a) Share capital

Ordinary shares, issued and fully paid	At 31 December 2018 Number of shares	At 31 December 2018 Amounts HK$'000	At 31 December 2017 Number of shares	At 31 December 2017 Amounts HK$'000
At the beginning of the year	**345,374,910**	**193,246**	261,684,910	71,853
Placing of new shares *(note)*	**—**	**—**	83,690,000	121,393
At the end of the year *(note 26)*	**345,374,910**	**193,246**	345,374,910	193,246

In accordance with Section 315 of the Hong Kong Companies Ordinance, the ordinary shares of the Company do not have a par value.

Note: On 10 February 2017 and 3 November 2017, the Company entered into a placing agreement, pursuant to which a maximum number of 52,300,000 and 31,390,000 shares are to be issued at HK$1.44 per share and HK$1.50 per share, respectively (the "Placings"). The Placings were completed on 24 February 2017 and 30 November 2017 with net proceeds from the Placings amounting to HK$74,723,000 and HK$46,670,000, respectively. The net proceeds of the Placings will be used for general working capital and/or financing future investment or new business development as and when opportunities arise.

(b) Dividends

The Board does not recommend the payment of a final dividend for the years ended 31 December 2018 and 2017.

(c) Nature and purpose of reserves

(i) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

18 Capital, reserves and dividends *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(ii) Statutory reserve

According to the People's Republic of China ("PRC") Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital.

(d) Movements in the Company's reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's reserves between the beginning and the end of the year are set out below:

	Retained profits HK$'000
At 1 January 2017	196,716
Loss for the year	(13,845)
At 31 December 2017 and 1 January 2018 *(note 26)*	**182,871**
Loss for the year	**(14,968)**
At 31 December 2018 *(note 26)*	**167,903**

18 Capital, reserves and dividends *(Continued)*

(d) Movements in the Company's reserves *(Continued)*

Share options

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any employee (whether full time or part time employee) or executive director of the Company or any of its subsidiaries or any invested entity (any entity in which the Group holds any equity interest); any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any invested entity of the Company; any supplier of goods or services to any member of the Group or any invested entity; any customer of the Group or any invested entity; any person or entity that provides research, development, or other technological support to the Group or any invested entity; and any shareholder of any member of the Group or any invested entity or any holder of securities issued by any member of the Group or any invested entity. The Scheme was adopted and approved by the shareholders of the Company on 14 May 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of ordinary shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "Limit") must not in aggregate exceed 26,168,491 shares, representing 10% of the ordinary shares of the Company in issue as at the date of passing of ordinary resolution to adopt the share option schemes. The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of options in the 12-month period up to and including the date of such further grant in excess of this Limit is subject to shareholders' approval in a general meeting.

Each grant of options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is subject to approval in advance by the independent non-executive directors, other than an independent non-executive director who is proposed to be a grantee. In addition, any grant of options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

18 Capital, reserves and dividends *(Continued)*

(d) Movements in the Company's reserves *(Continued)*

Share options *(Continued)*

The offer of a grant of options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the options granted is determined by the board of directors, save that such a period shall not be more than 10 years from the date of offer of the options subject to the provisions for early termination as set out in the Scheme. Unless otherwise determined by the board of directors at its sole discretion, there is no requirement of minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

The exercise price of the options is determinable by the board of directors, but shall not be less than the highest of:

(i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the options which must be a trading day;

(ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer; and

(iii) the nominal value of the Company's shares.

No options have been granted under the Scheme since its adoption.

19 Commitment

(a) Capital commitments

Capital commitments as at 31 December 2018 and 2017 not provided for in the financial statements were as follows:

	2018 **HK$'000**	2017 HK$'000
Renovation for leasehold improvement — Contracted but not provided for	**1,517**	—

19 Commitment *(Continued)*

(b) Operating lease arrangements

(i) As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**2,041**	1,812
In the second to fifth year inclusive	**11,611**	253
Over five years	**3,867**	—
	17,519	2,065

Operating lease payments represent rental payable by the Group for its rental premises. Leases for these rental premises are negotiated for terms of one to seven (2017: one to five) years with fixed rentals.

(ii) As lessor

The Group leases its properties and at the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivable under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**21,147**	23,807
In the second to fifth year inclusive	**90,863**	90,282
Over five years	**66,722**	91,226
	178,732	205,315

Typically leases are negotiated for an average term ranging from one to ten (2017: one to ten) years with fixed rentals over the terms of the leases. Certain leases are negotiated with escalating rentals over the terms of the leases.

20 Pledge of assets

As at 31 December 2018 and 2017, no assets are pledged in favour of banks and financial institutions to secure for the borrowings and banking facilities.

21 Interests in subsidiaries

	2018 HK$'000	2017 HK$'000
Unlisted shares, at cost *(note 26)*	80,079	80,079

As at 31 December 2018, the directors of the Company concluded that the investments are fully recoverable.

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of company	Place/country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company		Principal activities
			2018	2017	
Held directly:					
Adamgate Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Dragon Intellect Holdings Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment holding
Max Benefit Group Limited	British Virgin Islands	1 ordinary share of US$1	100%	100%	Investment holding
Poppins Properties Limited	British Virgin Islands	55,603 ordinary shares of US$1 each	100%	100%	Investment holding
Sino Season Investments Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment Holding
Splendid Maple Investments Limited	British Virgin Islands	1 ordinary share of US$1	100%	—	Investment Holding

(Expressed in Hong Kong dollars unless otherwise indicated)

21 Interests in subsidiaries *(Continued)*

Name of company	Place/country of incorporation/ operations	Issued share capital	Percentage of issued share capital held by the Company 2018	2017	Principal activities
Held indirectly:					
Capital Head Investment Limited	Hong Kong	Ordinary shares of HK$2	100%	100%	Property investment in Shanghai, China
Concord Trinity Development Limited	Hong Kong	Ordinary shares of HK$2 and non voting deferred shares of HK$2 (ii)	100%	100%	Property investment in Shanghai, China
Glory South Investment Limited	Hong Kong	Ordinary shares of HK$2	100%	100%	Property investment
Jelson Enterprises Limited	Hong Kong	Ordinary shares of HK$2 and non voting deferred shares of HK$2 (ii)	100%	100%	Property investment in Shanghai, China
Poppins Properties (Shanghai) Co., Ltd (i) 博平置業(上海)有限公司	PRC	Registered capital of US$8,460,000	100%	100%	Property investment in Shanghai, China
Shanghai Chengzhi Automobile Sales Co., Ltd. (i) 上海誠郅汽車銷售有限公司	PRC	Registered capital of RMB20,000,000	100%	—	Sale of cars and provision of automobile tertiary service
Shanghai Tian Xi Vehicle Services Company Limited (i) 上海天禧車業服務有限公司	PRC	Registered capital of RMB10,000,000	100%	—	Sale of cars and provision of automobile tertiary service
Anshan Jian Xin Property Management Company Limited (i) 鞍山建新物業管理有限公司	PRC	Registered capital of RMB10,000,000	100%	—	Investment holding

21 Interests in subsidiaries *(Continued)*

Notes:

(i) The company is a wholly foreign owned enterprise. The English translations of the company's name is for reference only. The official name of the company is in Chinese.

(ii) The deferred shares, which are not held by the Group, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

(iii) None of the subsidiaries had any debt security outstanding at the end of the year or at any time during the year (2017: nil).

22 Related party transactions

(a) Key management personal remuneration

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties:

Key management compensation, representing directors' remuneration as disclosed in note 9(a).

Total remuneration is included in "staff costs" (see note 7).

(b) Other related party transactions

During the year, the Group entered into transactions with the following related party.

Name of party	**Relationship**
Sky Fortune Boutique Hotel Shanghai*	The ultimate controlling party of the Group is a key management personnel of the company

* *Sky Fortune Boutique Hotel Shanghai was controlled by the ultimate controlling party of the Group as at 31 December 2017. The ultimate controlling party of the Group disposed of its entire interest in this entity indirectly in March 2018, and further ceased being the key management personnel of this entity in September 2018.*

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Related party transactions *(Continued)*

(b) Other related party transactions *(Continued)*

(i) Significant related party transactions

Particulars of significant transactions between the Group and the above related party during the years are as follows:

	2018 HK$'000	2017 HK$'000
Office rental expense	**1,353**	352
Staff messing and accommodation expenses	**152**	159

(ii) Balance with a related party

As at the end of the year, the Group had the following balance with a related party:

	2018 HK$'000	2017 HK$'000
Amount due from a related party *(note)*	**—**	123

Note: For the year ended 31 December 2017, the amount is included in trade and other receivables, prepayments and deposits.

23 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists equity attributable to owners of the Company, comprising issued capital and reserves as disclosed in note 18 and consolidated statement of changes in equity.

The directors of the Company review the capital structure periodically. As a part of this review, the directors of the Company prepare the annual budget taking into account of the available sources of funding. Based on the proposed annual budget, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt, if necessary.

23 Capital risk management *(Continued)*

The capital-to-overall financing ratio at reporting date was as follows:

	2018 HK$'000	2017 HK$'000
Capital		
Total equity	**601,727**	630,779
Overall financing		
Borrowings	**—**	—
Capital-to-overall financing ratio	**N/A**	N/A

The Group's overall strategy remains unchanged during 2017 and 2018.

24 Fair value measurement

(a) Financial instruments measured at fair value

As at 31 December 2018 and 2017, the Group did not have any financial assets or liabilities measured at fair value.

(b) Financial instruments not measured at fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different form their fair values as at 31 December 2017 and 2018.

25 Financial risk management

(a) Financial risk management objectives

The management monitors and manages the financial risks arising from financial instruments entered into in the normal course of operations and in its investment activities through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

25 Financial risk management *(Continued)*

(b) Foreign currency risk

Major operation of the Group is carried by the Company's subsidiaries in the PRC which are denominated in respective functional currency, and therefore the Group is not exposed to material foreign currency risk as at 31 December 2018 and 2017.

The currencies giving rise to this risk mainly include HK$, USD and RMB. As HK$ is pegged to USD, exposure in respect of these currencies is considered insignificant. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities in net position (excluding HK$ and USD) at the reporting date are as follows:

	2018 HK$'000	2017 HK$'000
Net monetary assets		
RMB	29,945	1,369

The sensitivity analysis is not performed for the reporting period, since the management considers the Group is not exposed to significant currency risk.

RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its shareholders.

(c) Interest rate risk

Non-derivative financial assets and financial liabilities

As at 31 December 2018 and 2017, the Group is exposed to cash flow interest rate risk in relation to bank balances.

The management considers the exposure to interest rate risk in relation to bank balances is insignificant due to the low level of deposit interest rate.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with a good credit rating, for which the Group considers to have low credit risk.

25 Financial risk management *(Continued)*

(d) Credit risk *(Continued)*

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

At the end of the reporting period, 87.69% and 99.20% (2017: 0% and 91.08%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively, within the investment properties segment.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 December 2018.

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

There was no material impact on trade receivables for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

25 Financial risk management *(Continued)*

(d) Credit risk *(Continued)*

Trade receivables *(Continued)*

The movement in loss allowance account in respect of trade receivables during the year is as follows:

	Trade receivables	
	2018	2017
	HK$'000	HK$'000
Balance at 1 January under HKAS39 and HKFRS9	**106**	99
Exchange realignment	**(4)**	7
Balance at 31 December (note 15(a))	**102**	106

The movement of the loss allowance was due to the change of exchange rate of HK$ against RMB.

Comparative information under HKAS39

Prior to 1 January 2018 impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(i)). The ageing analysis of trade receivables which are not impaired is as follows:

	2017
	HK$'000
Neither past due nor impaired	—
Less than 30 days past due	189
	189

As at 31 December 2017, trade receivables that were past due but not impaired mainly relate to tenants that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

25 Financial risk management *(Continued)*

(e) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The contractual undiscounted cash outflow of the financial liabilities as at 31 December 2018 and 2017 equals their carrying values.

26 Statement of financial position of the Company

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Interests in subsidiaries	*21*	**80,079**	80,079
Property, plant and equipment		**1,084**	1,562
Trademark	*13*	**108**	106
Trade and other receivables, prepayments and deposits		**—**	369
Deferred tax assets		**87**	153
		81,358	82,269
Current assets			
Trade and other receivables, prepayments and deposits		**1,206**	552
Amounts due from subsidiaries		**283,616**	300,593
Tax recoverable		**269**	269
Short-term bank deposits		**81,722**	115,220
Bank balances and cash		**14,456**	5,690
		381,269	422,324
Current liabilities			
Other payables and accrued expenses		**2,622**	2,500
Amounts due to subsidiaries		**98,856**	125,976
		101,478	128,476
Net current assets		**279,791**	293,848
NET ASSETS		**361,149**	376,117
CAPITAL AND RESERVES			
Share capital	*18(a)*	**193,246**	193,246
Reserves	*18(d)*	**167,903**	182,871
TOTAL EQUITY		**361,149**	376,117

Approved and authorised for issue by the board of directors on 26 March 2019 and signed on its behalf by:

HOU Yingxuan	**GONG Biao**
Director	*Director*

(Expressed in Hong Kong dollars unless otherwise indicated)

27 Immediate and ultimate controlling party

As at 31 December 2018 and 2017, the directors of the Company consider the immediate parent of the Group is Hopevision Group Ltd. and the ultimate controlling party of the Group is Mr. Jiang Tian. Hopevision Group Ltd. does not produce financial statements available for public use.

28. Possible impact of amendments, new standard and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards to HKFRSs which are not yet effective for the current accounting period of the Group and which have not been adopted in these consolidated financial statements.

These included the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC)-Int 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle, *Amendments to: HKFRS 3, Business Combinations; HKFRS 11 Joint Arrangements; HKAS 12, Income Taxes;* and *HKAS 23 Borrowing Costs*	1 January 2019
Amendments to HKFRS 10 and HKAS 28, *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, the Group has identified some aspects of the new standards and considered the impact that adopting the amendment and new standards. Further details of the expected impacts are discussed below. The Group does not intend to early adopt any of these amendments or new standards.

(Expressed in Hong Kong dollars unless otherwise indicated)

28. Possible impact of amendments, new standard and interpretations issued but not yet effective for the year ended 31 December 2018 *(Continued)*

HKFRS 16, *Leases*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

For the year ended 31 December 2018, the Group has entered into a new lease agreement for its premises in Shanghai, with a lease term of 7 years. The lease is currently classified as operating leases. As a result of the new lease agreement, the impact of the initial adoption of HKFRS 16 is now estimated to be more significant than the Group's expectation at the time when the 2017 annual financial statements were prepared.

Upon the initial adoption of HKFRS 16 as at 1 January 2019, certain portion of the lease commitments disclosed in note 19(b)(i) will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

29 Event after the Reporting Date

On 26 March 2019, the Group entered into sale and purchase agreements to acquire the 11 contiguous double deck shop units within a 2-storey retail building in a private housing estate located in Liaoning Province, the PRC, at a cash consideration of approximately RMB20.4 million.

Schedule of Principal Properties

Details of the principal investment properties and properties held for sale of the Group as at 31 December 2018 are as follows:

A Investment properties

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
Mainland China				
Apartment Nos. 404, 504, 604, 704 and 804 Block No. 2, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	10,903	Residential apartments for rental	100%	Medium-term lease
Commercial floor on Level 2 and 3 of Block No. 1, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	40,734	Shops for rental	100%	Medium-term lease
Club House on Level 4 and Car Parking Space Nos. 38, 39, 40, 41 and 60 on Basement of Block No. 1 Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	10,958 (Club House)	Shop and carparks for rental	100%	Medium-term lease
Shopping Arcade on 1st Level (ground floor) of Block No. 1, Kingswell Garden Lane 3887 Hong Mei Road Changning District, Shanghai, the PRC	16,685	Shop for rental	100%	Medium-term lease
Western Portion of level 1, Western Portion of Level 2, Western Portion of Level 3 and Western Portion of Basement Levels 1–3, Merry tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	75,722	Shops and carparks for rental	100%	Medium-term lease

Schedule of Principal Properties *(continued)*

A Investment properties *(continued)*

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
Units 6D, 6E, 14C, 23D, 23E, 27D and 27E, Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	12,355	Residential apartments for rental	100%	Medium-term lease

Schedule of Principal Properties *(continued)*

B Properties held for sale

Location	Approximate net floor area (sq.ft.)	Use	Group's attributable interest	Lease term
Mainland China				
Apartment G on 12th Floor, Block 5, Silver Valley Garden Haikou, Hainan, the PRC	1,163	Residential apartment for sale	100%	Medium-term lease
Units 17A, 17D and 27C Merry Tower No. 396 Yanan Road West and No. 168 Zhenning Road Jingan District, Shanghai, the PRC	4,838	Residential apartments for sale	100%	Medium-term lease

Five-year Financial Summary

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(Restated)	(Restated)
Continuing operations					
Revenue	**24,349**	22,448	21,336	20,279	22,284
(Loss)/profit before taxation	**(4,418)**	61,589	17,467	45,024	108,253
Income tax	**(2,278)**	(15,003)	(3,253)	(7,917)	(9,980)
(Loss)/profit for the year from continuing operations	**(6,696)**	46,586	14,214	37,107	98,273
Discontinued operations:					
Profit/(loss) from discontinued operations	**—**	—	45,476	(35,453)	75,130
(Loss)/profit for the year attributable to equity shareholders of the Company	**(6,696)**	46,586	59,690	1,654	173,403

Assets and liabilities

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**711,577**	740,861	520,608	1,810,205	1,978,856
Total liabilities	**(109,850)**	(110,082)	(89,143)	(274,640)	(384,368)
Equity attributable to equity shareholders of the Company	**601,727**	630,779	431,465	1,535,565	1,594,488

Note: The Group disposed of the operations of general trading and property investment in Hong Kong segments on 15 June 2016. The comparative figures for the years from 2014 to 2015 have been restated accordingly.