Great China Properties Holdings Limited
大中華地產控股有限公司

(Incorporated in Hong Kong with Limited Liability)
Stock Code: 00021

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Huang Shih Tsai *(Chairman)*
Ms. Huang Wenxi *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Cheng Hong Kei
Mr. Leung Kwan, Hermann
Mr. Lum Pak Sum

AUDIT COMMITTEE

Mr. Cheng Hong Kei *(Chairman)*
Mr. Leung Kwan, Hermann
Mr. Lum Pak Sum

REMUNERATION COMMITTEE

Mr. Cheng Hong Kei *(Chairman)*
Mr. Huang Shih Tsai
Mr. Leung Kwan, Hermann
Mr. Lum Pak Sum

NOMINATION COMMITTEE

Mr. Huang Shih Tsai *(Chairman)*
Mr. Cheng Hong Kei
Mr. Lum Pak Sum

COMPANY SECRETARY

Ms. Yeung Lee

AUDITOR

Mazars CPA Limited

SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL COUNSEL

Squire Patton Boggs

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

Suite 6403A-4, 64/F.
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

WEBSITE

www.greatchinaproperties.com

DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Huang Shih Tsai, aged 67, has been the Non-executive Director since 29 June 2007 and was re-designated to Executive Director on 5 April 2013. He is the chairman of the Group and the Nomination Committee of the Company and is also a member of the Remuneration Committee of the Company. Mr. Huang is the founder and chairman of the board of Great China International Investment (Groups) Limited ("Great China Groups"), which is currently involved in various businesses in property development, hotel management, financial consultancy, trust management, trading, department stores, ports and logistics. The businesses of Great China Groups cover major cities nationwide.

Mr. Huang was honoured as the pioneer for urbanisation of rural areas when he introduced the concept of "Property Acquisition for Resident Right" first in Longzhu Garden project. He developed the concept of "Removing boarder between Shenzhen and Hong Kong" in Hui Zhan Ge project and developed properties along the boarder. He was recognised as the pioneer in "Sales of Properties to non-residents" and hotel style service apartment. Through Great China International Exchange Square, he was known as the pioneer to develop the Central Business District in Shenzhen. Mr. Huang has made significant contributions to the reform and opening-up of Shenzhen.

Mr. Huang was the only Outstanding Chinese Entrepreneur as the representative to participate the 60th Anniversary of United Nation. He is the executive vice-president of the United World Chinese Association (世界華人協會), the executive vice-president of the China Enterprise Directors Association (Shenzhen) (中國企業家協會(深圳)), the vice-president of Guangdong Provincial Association of Culture (廣東省文化學會), the vice-president of Federation of Shenzhen Industries (深圳工業總會), the managing director of Global Foundation of Distinguished Chinese Limited (世界傑出華人基金會), and the president of Yan Huang Chinese Straits Entrepreneurs Association (炎黃海峽兩岸三地企業家交流協會).

Mr. Huang is the father of Ms. Huang Wenxi, the Executive Director and the Chief Executive Officer of the Company.

Ms. Huang Wenxi, aged 34, has been an Executive Director since 29 June 2007, is also the Chief Executive Officer of the Company. Ms. Huang holds a Bachelor's degree in Business Administration from the University of Wisconsin-Madison, a Master of Science Degree in Global Finance from New York University and a MBA from Yale University. Currently, Ms. Huang is also the chief executive officer of Great China International Group Hotel Management Limited, a company provides hotel management services which owns and sets up Shenzhen Great China Hilton Hotel and Sheraton Shenzhen Futian Hotel, both of which are 5-star international hotels located in Shenzhen, China.

Ms. Huang is the daughter of Mr. Huang Shih Tsai, the Executive Director and Chairman of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Hong Kei, aged 64, has been an Independent Non-executive Director since 8 June 2006 and is the Chairman of the Audit Committee and Remuneration Committee of the Company, as well as a member of the Nomination Committee of the Company. Mr. Cheng studied accountancy in Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University). He is a fellow member of the Hong Kong Institute of Certified Public Accountants (Practicing), the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He is a co-founding director of Cheng & Cheng Limited and had worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He has over 30 years of experience in accounting and taxation. Currently, Mr. Cheng is also an independent non-executive director of GET Holdings Limited and South China Assets Holdings Limited, both of which are listed companies in Hong Kong.

Mr. Leung Kwan, Hermann, aged 57, has been an Independent Non-executive Director since 8 June 2006 and is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Leung holds a Bachelor's degree in Social Sciences from the University of Hong Kong. He is a solicitor of the Hong Kong Special Administrative Region and is a partner of D.S. Cheung & Co., Solicitors. He is also a China-Appointed Attesting Officer. Mr. Leung has about 24 years of experience in legal work relating to civil litigation, commercial litigation, copyright and conveyancing.

Mr. Lum Pak Sum, aged 58, has been an Independent Non-executive Director since 21 August 2007 and is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lum holds a Master's degree in Business Administration from the University of Warwick, UK and a LLB (Honor) degree from the University of Wolverhampton, UK. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, UK. Mr. Lum has over 20 years of experience in financial field, the money market and capital market. Currently, Mr. Lum is also an independent non-executive director of Anxian Yuan China Holdings Limited, i-Control Holdings Limited, Kwan On Holdings Ltd, S. Culture International Holdings Limited and Yuhua Energy Holdings Limited; all of which are listed companies in Hong Kong.

COMPANY SECRETARY

Ms. Yeung Lee, aged 32, was appointed as the company secretary of the Company with effect from 26 August 2016. Ms. Yeung is an associate member of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. She obtained a Bachelor of Science degree from the Hong Kong University of Science and Technology. She has more than ten years of experience in company secretarial, corporate governance, compliance matters and operations management. Ms. Yeung is also a director and compliance officer of YL Capital Partners Limited, a wholly-owned subsidiary of the Company carrying on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Great China Properties Holdings Limited (the "Company" or "Great China Properties", together with its subsidiaries, the "Group") for the year ended 31 December 2018.

FINANCIAL REVIEW HIGHLIGHTS

For the year ended 31 December 2018, the Group recorded a turnover of approximately HK$87.23 million, representing an increase of approximately 155% as compared to the turnover of approximately HK$34.25 million for last year. The increase in turnover was mainly resulted from the increase in sales of properties. Profit attributable to owners of the Company was HK$41.71 million for the year ended 31 December 2018 compared to a loss attributable to the owners of Company of approximately HK$74.87 million for last year. Such turnaround in the financial position of the Company for the year ended 31 December 2018 was mainly due to significant increase in the revenue generated from the sales of the properties and the exchange gain arose from the translation of the Group's financial liabilities.

BUSINESS REVIEW

In 2018, the sale of phase 1 and pre-sale of phase 2 of the residential portion of Jin Bao Cheng Project (also known as Shanwei No. 1) of the Group, which was located in Shanwei City, Guangdong Province, the PRC, commenced respectively and overwhelming response was received. Sale proceeds of the project have been gradually recognized as revenue under relevant accounting policy, and reflected in the financial statements for the year. In addition, the major construction of Four Points By Sheraton Shanwei (汕尾大中華福朋喜來登酒店), being the commercial portion of Jin Bao Cheng Project, was also completed and the estimated official opening date of the hotel is early 2020.

In addition to the property development business, in August 2018, the Group was successfully licensed by the Securities and Futures Commission to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The Group plans to engage in financial services in Hong Kong.

BUSINESS OUTLOOK

In 2019, it is expected that the Government will maintain the continuity and stability of its regulatory policies for the real estate market. Despite the introduction of property curbs in particular cities, the stable demand for residence along with the full confidence of purchasers have given an optimistic outlook to the Group's overall business in 2019. New forms and models of operations have kept arising in the real estate market, and the effects of urban agglomeration in Guangdong-Hong Kong-Macao Bay Area, Yangtze River Delta Economic Zone, the Middle Reaches of the Yangtze River and Bohai Economic Rim have gradually been evident, opening the doors to growth opportunities for real estate enterprises. The Group will continue to adhere to its principles of prudent financial management and comply with laws and regulations to build up high quality and efficient construction and sales teams, and further enhance its competitiveness in supply, sales and inventory management and the cost control while keeping abreast of the changes in the macro-economy. Meanwhile, the Group will also, on the basis of ensuring its financial health, seek for other investment opportunities in a proactive and prudent manner to raise its profitability by acquiring quality and promising investment projects. We believe that the huge population mobility, urban development and the growth in wealth will continue to drive the rigid demand for real estate properties. As a result, there is still enormous room for the development of China's real estate industry.

Looking forward, the Group will continue to strive for optimising its overall operation scale and improving cost-effectiveness through enhancing its cost control measures, expediting its pace of talents solicitation and building up a quality brand.

APPRECIATION

I would like to express my sincere appreciation to all Directors and staff members for their contribution to the development of Great China Properties over the year. I would also like to thank our shareholders and investors for their support and trust. Great China Properties will adhere to its vision: "Build a Better Chinese Community in Greater China: Set in Asia to Build in the World for a Better Home", with a view to establishing itself as China's leading developer of commercial and residential real estates as well as tourism properties, and thus creating sustainable investment returns for our shareholders and investors with outstanding performance.

Mr. Huang Shih Tsai
Chairman
Hong Kong, 29 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 December 2018, the Group recorded a turnover of approximately HK$87.23 million, representing an increase of approximately 155% as compared to the turnover of approximately HK$34.25 million for last year. The increase in turnover was mainly resulted from the increase in sales of properties.

Profit attributable to owners of the Company amounted to HK$41.71 million for the year ended 31 December 2018 compared to a loss attributable to the owners of Company of approximately HK$74.87 million for last year. Such turnaround in the financial position of the Group for the year ended 31 December 2018 was mainly due to significant increase in the revenue generated from the sales of the properties and the exchange gain arose from the translation of the Group's financial liabilities.

BUSINESS REVIEW

Property Development and Investment Business

The Gold Coast Project

The Company, through its indirect wholly-owned PRC subsidiary, owns a resort located in Baian Peninsula, Houmen Town, Haifeng County, Shanwei City, Guangdong Province, the PRC (the "Gold Coast Resort"). Gold Coast Resort is expected to be developed into a tourism property project, which will comprise various single-storey villas, five-star hotels and marina club facilities etc. The construction of Gold Coast Resort has commenced.

The Tanghai County Project

The Group has acquired 99.99% of equity interest of 唐山市曹妃甸區中泰信和房地產開發有限公司 (Tangshan Caofeidian Zhongtai Xinhe Real Estate Company Limited*) ("Tangshan Caofeidian") ("Tanghai Acquisition") in January 2013, the major asset of which consists of the right of use of 唐海縣七農場通港水庫內側2號及3號島 (Nos. 2 and 3 Island inside Tonggang Reservoir of the Seventh Farm in Tanghai Province*).

The Group has paid a total sum of approximately RMB92,490,000 as consideration of the Tanghai Acquisition. The vendors of Tangshan Caofeidian are subject to pay the PRC individual income tax derived from the transfer of the equity interest of Tangshan Caofeidian. As at the date of completion of the Tanghai Acquisition, such PRC individual income tax had not been settled. It was agreed by the vendors that they will not require the Company to pay the remaining portion of the consideration of RMB12,000,000 until the outstanding PRC individual income tax is settled by them.

The Group has appointed several external firms to conduct reconnaissance and began designing work. As at the date of this report, the Group is at the preliminary stage to plan and design the ecological leisure living area or resort area.

The Daya Bay Project

The Company, through its indirect wholly-owned PRC subsidiary, owns 東方新天地大廈 (Eastern New World Square*), which is a comprehensive property development project with a total gross floor area of approximately 69,171.7 sq.m. located at No.1 Zhongxing Zhong Road, Aotou Town, Daya Bay, Huizhou City, Guangdong Province, the PRC. The selling of the residential portion of Eastern New World Square has commenced in May 2013 and the revenue generated has contributed to the turnover of the Group for the year ended 31 December 2018.

* *For identification purposes only*

The Shanwei Projects

On 16 October 2013, the Group completed the acquisition of Jin Bao Cheng Project and Hong Hai Bay Project through a wholly-owned subsidiary of the Company from Mr. Huang Shih Tsai, the chairman and executive director of the Company. The details of Jin Bao Cheng Project and Hong Hai Bay Project are set out as below:

(1) Jin Bao Cheng Project

Jin Bao Cheng Project contains two parcels of land located on 中國廣東省汕尾市區汕尾大道 (Shanwei Main Road, Shanwei City, Guangdong Province, the PRC*), with a total site area of approximately 50,656 sq.m. and three 12-storey close to completion residential blocks erected thereon, among which, (a) one parcel of land is located at the vicinity of 汕尾大道香洲頭地段西側與紅海大道交界口 (the junction of the western side of Shanwei Main Road, Xiangzhoutou Section and Honghai Main Road*), and (b) one parcel of land is located at the vicinity of 汕尾大道荷包嶺段西側實力汽車修配廠後面與紅海大道交界口 (the junction of the western side of Shanwei Main Road, Hebaoling Section, behind the Shili Car Repair Factory and Honghai Main Road*).

It is the Board's current intention to develop Jin Bao Cheng Project into a residential and commercial complex. Sales of phase 1 and pre-sales of phase 2 of the residential portion of Jin Bao Cheng Project was commenced. Proceeds from the sales of Jin Bao Cheng Project of approximately HK$60,889,000 was recognised as revenue for the year ended 31 December 2018 and approximately HK$53,303,000 was received from per-sales of Jin Bao Cheng Project as contract liability as at 31 December 2018.

(2) Hong Hai Bay Project

Hong Hai Bay Project contains four parcels of land located at the vicinity of the junction of No. S241 Province Road and No. X141 County Road Shanwei City, Guangdong Province, the PRC with a total site area of approximately 273,534.2 sq.m., among which, (a) one parcel of land is located on 遮浪南澳旅遊區「湖仔山」東側 (the east of Wuzishan, Zhelang Nanao Tourist Area*), (b) one parcel of land is located on 遮浪街道宮前南澳路東 (Gongqian Nanao Road East, Zhelangjiedao*); and (c) two parcels of land are located on 遮浪街道南澳旅遊區灣灘坑 (Wantankeng, Zhelangjiedao Nanao Tourist Area*).

It is the Board's current intention to develop Hong Hai Bay Project into a tourist and entertainment complex with residential development with a total gross floor area of approximately 720,000 sq.m..

* *For identification purposes only*

The Heqing Project

On 16 December 2013, the Company and its wholly owned subsidiary, Great China Properties (Shanghai) Limited, entered into a cooperation agreement with Greenland Hong Kong Holdings Limited ("Greenland HK") and its subsidiaries, pursuant to which the parties to the cooperation agreement conditionally agree to jointly develop the two parcels of land located in Shanghai, the PRC (the "Land"), among which one parcel of land with boundaries East to land with Lot No. 13-02, West to Qingli Road, South to land with Lot No.13-02, North to South Huanqing Road, Heqing Town, Pudong New Area, Shanghai, the PRC* (上海浦東新區合慶鎮，四至範圍東至13-02地塊，西至上海市慶利路，南至13-02地塊，北至上海市環慶南路); and (b) one parcel of land with boundaries East to land with Lot No. 14-03, West to Lingyang Road, South to land with Lot No. 14-03, North to South Huanqing Road, Heqing Town, Pudong New Area, Shanghai, the PRC* (上海浦東新區合慶鎮，四至範圍東至14-03地塊，西至上海市淩楊路，南至14-03地塊，北至上海市環慶南路). The Land is intended to be used for commercial and office purposes.

On 10 January 2014, all the conditions precedent under the cooperation agreement had been satisfied and completion took place on the same date. Upon completion, each of the Company and Greenland HK holds a 50% stake in the project. The investment has been accounted for as interest in an associate using the equity method from the date of completion. Details please refer to the announcement of the Company dated 16 December 2013 and the circular of the Company dated 30 January 2014.

BUSINESS OUTLOOK

With the moderate recovery of the macro economy, increasing urbanization and growing per capita wealth of Chinese citizens, demand on mid-end to high-end commercial and tourism property development is likely to be driven up. The Group's business and future strategy will continue to be focusing on mid-end to high-end commercial and tourism property development and investment. Riding on its solid foundation of existing projects, the Group remains on the lookout for high quality and cost effective investment opportunities to enhance investment returns, as well as to gradually diversify its income source.

The Group has obtained the approval from the Securities and Futures Commission to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance during the year ended 31 December 2018. The new business segment of financial services in Hong Kong will diversify the Group's income source and possibly enhance its financial performance.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, bank balances and cash of the Group amounted to approximately HK$12.80 million (31 December 2017: HK$24.47 million). The Group's total current assets as at 31 December 2018 amounted to approximately HK$757.88 million, which comprised properties held for sale, trade receivables, prepayments, deposits and other receivables, equity investments at FVPL, cash and bank balances. The Group's total current liabilities as at 31 December 2018 amounted to approximately HK$1,039.01 million, which comprised trade payables, other payables and accruals, current portion of obligations under finance lease, amounts due to related companies, amounts due to substantial shareholders and tax payable.

As at 31 December 2018, the Group's gearing ratio, defined as total obligations under finance leases divided by total equity, was approximately 0.06% (31 December 2017: 0.11%).

CAPITAL COMMITMENT

As at 31 December 2018, the Group had a total capital commitment of approximately HK$592.77 million, contracted for but not provided in the consolidated financial statements, which comprised (i) approximately HK$375.30 million in respect of the construction and development of properties and (ii) approximately HK$217.47 million in respect of the loan contributions payable to an associate.

EXCHANGE RATES EXPOSURE

The Group derives its turnover, makes purchases and incurs expenses denominated mainly in RMB and HK$. The majority of assets and liabilities are denominated in RMB and HK$ and there are no significant assets and liabilities denominated in other currencies. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of HK$ or RMB may have an impact on the operating results of the Group. The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group has given guarantees of approximately HK$3.05 million (31 December 2017: HK$3.25 million) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date of loans being granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

CHARGES ON ASSETS

As at 31 December 2018, the Group had charged motor vehicles worth approximately HK$0.81 million as a security for finance leases (31 December 2017: HK$1.31 million).

EMOLUMENT POLICY

The emoluments of the employees of the Group are determined on the basis of their merit, qualification and competence. The management's remuneration proposals are reviewed and approved by the remuneration committee with reference to the Board's corporate goals and objectives. The emoluments of the directors and senior management of the Company are determined by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

As at 31 December 2018, the Group employed 114 employees (excluding directors) (31 December 2017: 146 employees) and the related staff costs amounted to approximately HK$18.70 million (31 December 2017: approximately HK$16.96 million). Staff remuneration packages, which are reviewed annually, include salary/wage and other benefits, such as medical insurance coverage, provident fund and share options.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Great China Properties Holdings Limited (the "Company", and with its subsidiaries, collectively, the "Group") is pleased to present its Environmental, Social and Governance Report (the "ESG Report") with disclosure reference made to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

I. PREAMBLE

The Group actively adheres to environmental and social responsibilities. The Board of Directors (the "Board") of the Company is ultimately responsible for leading the environmental, social and governance ("ESG") works by establishing dedicated teams to manage ESG issues within each business division. Designated staffs are assigned to enforce and supervise the implementation of relevant policies.

The Group is committed to making continuous improvements in corporate environmental protection aspect and social responsibility in order to meet the changing needs of an advancing society. The Group is pleased to present its ESG report this year to demonstrate its efforts on sustainable development.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

The ESG report covers the operational boundaries including the business of property development and investment in the People's Republic of China (the "PRC") and the Group's office located in Hong Kong and PRC. The corporate governance aspect is addressed in more detailed in the Corporate Governance Report. The reporting period of this ESG report is for the financial year 2018, from 1 January 2018 to 31 December 2018 ("FY2018"), unless specifically stated otherwise.

III. STAKEHOLDER ENGAGEMENT

To conduct of the Group's materiality assessment in identifying and understanding the main concerns and material interests to stakeholders in the ESG report, the Group has engaged with its stakeholders to do a materiality assessment survey. Stakeholders are selected based on stakeholder influence and stakeholder dependence on the Group. Stakeholders with high influence and high dependence on the Group are selected by the management of the Group. The selected stakeholders have been invited to express their views and concerns on major social and environment issues. The stakeholder engagement procedure has been conducted through online survey. For the ESG report in FY2018, the Group identified legal compliance on employment practices and operating practices as material concerns to the stakeholders.

After assessing the feedback from internal and external stakeholders through the online survey, the Group has reviewed sustainability strategies, practices and measures undertaken in FY2018 and highlighted material and relevant aspects throughout this report so as to align with the stakeholders' expectations.

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community in which it engages. The Group stringently controls the emissions and complies with environmental laws and ordinances in Hong Kong and the PRC during the daily operation. All offices and construction sites of the Group should implement effective energy conservation measures to reduce emissions and resources consumption.

This section will primarily disclose the policies and practices on the emissions, use of resources and environmental and natural resources of the Group during FY2018.

A.1. Emissions

Set out below are the major emissions indicators of the Group during FY2018:

Emissions of Vehicle Exhaust	Emissions in 2018 (g)
NOx emissions	3660.30
SO_2 emissions	43.15
Particles emissions	269.50
Total emissions	3,972.95

CO_2 Emissions	Emissions in 2018 (tonnes of carbon dioxide equivalent)
Emissions from Electricity Consumption	154.26
Emissions from Processing Scrap Paper	46.08
Emissions from Processing Sewage	50.40
Total emissions	250.74

The Group strictly adheres to relevant laws and regulations including but not limited to the Environmental Protection Law of the PRC (《中國環境保護法》), the Prevention and Control of Atmospheric Pollution of the PRC (《中國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中國水污染防治法》), Construction Law of the People 's Republic of China (《中華人民共和國建築法》), the Waste Disposal Ordinance, the Product Eco-responsibility Ordinance. The major environmental emissions of the Group include greenhouse gases (GHGs) generated indirectly from property electricity consumption, wastewater, solid waste and noise.

Understanding that the GHGs emission is positively correlated to the electricity consumption, the Group has tried to reduce the electricity consumption in its daily operation. The specific measures it takes will be explained in A2 Use of Resources.

The Group keeps regular quantitative sewage discharge statistics and built temporary septic tank on the construction site for preliminary wastewater treatment. The effluent is qualified to be discharged to the municipal sewage pipe network.

The Group keeps a detailed record on the solid waste generated from the construction site, which mainly includes land excavation waste, broken bricks, mortar, concrete and packaging materials. To reduce the solid waste emission, the Group uses the land excavation waste to backfill where in need and sells the packaging materials to the recycle station for further recycle. The broken bricks, mortar and concrete are collected by professional company for reproduction. The Group also adopts energy-saving and environmental-protection building materials to reduce unnecessary waste generation and energy consumption.

The Group has taken necessary measures to prevent noise pollution and never receives any negative complain on noise nuisance from the surrounding residents and gets along with the local community very well all the time. The specific measures are listed as below:

- The Group conducts real-time monitoring and control of noise in the construction site to ensure the noise emission is up to the national standard;
- The Group requires using equipment of low noise and low vibration;
- The Group takes measures of noise insulation and vibration isolation around the construction site.

A.2. Use of Resources

The Group complies with relevant laws and regulations in the use of resources including but not limited to Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), Provisions on the Management of Water Conservation in Cities (《城市節約用水管理規定》) and Construction Law of the People's Republic of China (《中華人民共和國建築法》). Resources used by the Group mainly include electricity, water and construction raw materials.

To reduce the electricity consumption, the Group has conducted the following practices:

- Hold monthly education on saving electricity among the employees;
- Put up signs next to the switches, computers and air conditioners to remind employees to turn them off when possible;
- Replace the traditional bulbs by LED energy-saving bulbs in the offices;
- Adopt more energy-saving and electricity-saving mechanical equipment.

To reduce the water consumption, the Group has conducted the following practices:

- Hold monthly education on saving water among the employees;
- Adopt water-saving equipment instead of traditional one;
- Use groundwater or spring as greening water and road cleaning water;
- Use rain or spring for construction and maintenance in the construction site.

Raw material consumed by the Group include steel, concrete, masonry materials, stone, water supply and drainage pipelines, electrical pipelines, etc. To save raw materials and improve its utilization efficiency, the Group has conducted the following practices:

- Use aerated blocks to reduce the weight of the wall;
- Adopt new polymer waterproofing membrane to prevent water penetration;
- Use hollow glass tiles for insulation;
- Optimize construction plan and construction techniques to improve material utilization;
- Establish the material management system to limit picking materials, excess materials should be applied and approved by relevant department heads.

A.3. The Environment and Natural Resources

The Group is in strict compliance with the relevant laws and regulations including Law of the People's Republic of China on Circular Economy Promotion (《中華人民共和國循環經濟促進法》), Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) and Regulations on Environmental Protection of Construction Projects (《建設專案環境保護管理條例》).

The Group closely links its concept of green building to the construction projects as below:

- Adopt the green building design concept in the construction phase;
- Adhere to the Green Construction Guidelines (《綠色施工導則》) for housing and urban and rural construction during construction;
- Achieve "four environmental protection" (「四節一環保」) measures under the premise of quality and safety;
- Establish green construction management system in the project management;
- Control planning, purchasing, site construction, acceptance and other stages.

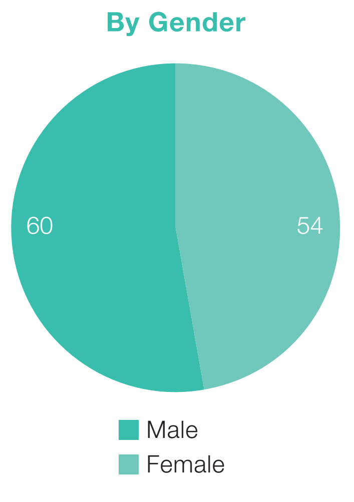
Furthermore, the Group values the greening within the scope of operation and carefully designs and adopts landscaping in the property scope. The total green area in the community reaches 15,000 square meters with 30% net green rate.

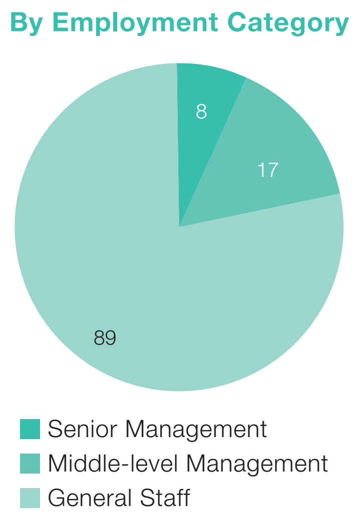
V. SOCIAL SUSTAINABILITY

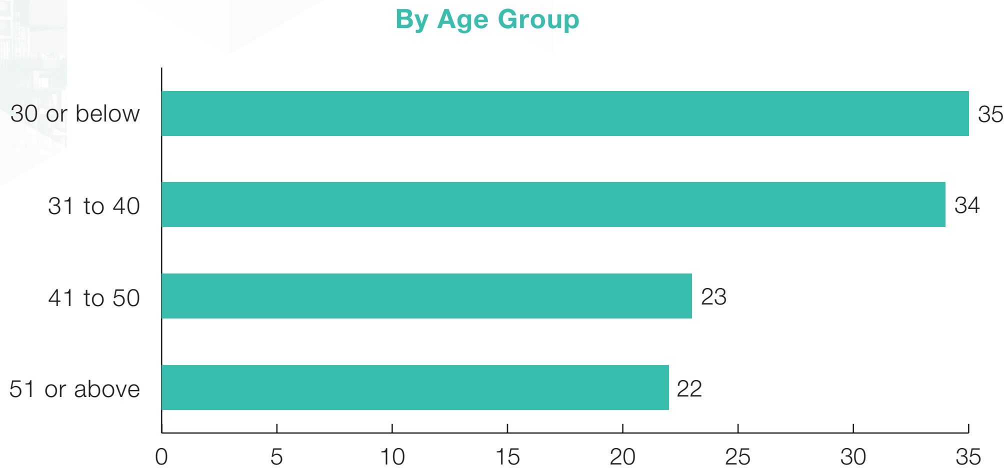
EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

As at 31 December 2018, the Group had a total of 114 employees in Hong Kong and the PRC which comprises:







The Group treasures talent as it is the most valuable asset and key for driving the success and maintaining sustainability of the corporation. The Group is striving to provide them with a safety and suitable platform for developing career professionalism and advancement.

The human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong and PRC, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, Employees' Compensation Ordinance, Minimum Wage Ordinance, Labour Law of the PRC (中華人民共和國勞動法) and Labour Contract Law of the PRC (中華人民共和國勞動合同法). The Group also complies with the employees' social security schemes that are enforced by the local government to provide employee benefits. The Human Resources and Administration Department reviews and updates the relevant company policies such as Staff Handbook regularly in accordance with the latest laws and regulations. The Group also attached the compliance on regulations for minimum wages and working hours in local operating regions.

To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' past performance, personal attributes, job experiences and career aspiration. The Group also makes reference to market benchmarks. Talent acquisition is vital to its business future development. In order to retain talents, the Group constantly reviews its compensation package and performs probationary and regular evaluations according to the overall market environment, profitability of the Group and employee performance in the past to determine the staff salary adjustment. This ensures that employees are recognised by the Group appropriately with regard to their working efforts and contributions. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

The Group determines working hours and rest period for employees in line with local employment laws and employment contracts with employees. In addition to statutory holidays stipulated by the employment law of the local government such as the basic paid annual leave, employees may also be entitled to additional leave entitlements such as marriage leave, maternity leave and compassionate leave.

As an equal opportunity employer, the Group is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in terms of all human resources and employment decisions, for instance, training and promotion opportunities, dismissals and retirement policies irrespective of their age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other non-job related factors in all business units. The equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or vilification in accordance to local ordinances and regulations such as Hong Kong's Disability Discrimination Ordinance and Sex Discrimination Ordinance. The Group has set up the reporting mechanism and equal opportunities policies in the Staff Handbook to promote a diversity environment in the working place and the Human Resources and Administration Department is fully responsible for strictly comply with national and corporate regulations on assessing, dealing with, recording and taking disciplinary actions on such events.

In terms of internal coaching and communication, effective two-way communication between general staff and managerial staff is highly encouraged. Employees maintain timely and smooth communication with the management, colleagues and partners of the companies within the Group through the email, training, social networks and meeting. The interactive communication benefits the Group's decision-making process and results a barrier-free employer-employee relationship. In addition, the Group hosted a series of activities for its employees in FY2018 such as festival gatherings and banquets. These events helped employees to relieve stress, and served to exemplify the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

B.2. Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, safety and health policies are in line with various laws and regulations stipulated by the Government of Hong Kong and PRC, including Hong Kong's Occupational Safety and Health Ordinance and Employees' Compensation Ordinance, Occupational Disease Prevention Law in PRC (中華人民共和國職業病防治法) and Regulation on Work-Related Injury Insurance (工傷保險條例).

The Group has established a comprehensive mechanism in committing the workplace safety by incorporating a range of occupational health and safety measures for all of its employees in the office. The Group prohibits smoking and drinking liquor in workplace, adjust moderate indoor temperature, carries out the disinfection treatment of carpets, carries out the health check for employees, conducts emergency response drill and safety inspection at regular intervals in the offices with an aim to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment in the office. Besides, the Group held occupational health trainings to enhance the employees' health awareness. The Group targets to achieve accident-free workplace environment.

B.3. Development and Training

The Group offers different training and development opportunities to staff in order to strengthen work-related skills and knowledge and improving operational efficiency through the OA system. For new hired employees, the Group provides comprehensive orientation training to understand corporate history and culture, Group's internal policies and business development. For experienced staff, the Group provides relevant training with regard to their roles and positions such as taxation updates, implementation on operating systems, risk control management and business compliance updates. All staff must undergo at least 4 hours of training every calendar year. The Group aims to foster a learning culture that could strengthen employees' professional knowledge, and meanwhile, benefiting the Group as employees expected to achieve better working performance after receiving appropriate training. Besides, the Group also encourages employees to attend external training for enhancing their competitiveness and expanding their capacity through continuous learning. The Group may offer sponsorship to eligible employees for attending job-related training/development programs or academic programs.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance of Hong Kong, Labour Law of the PRC, Labour Contract Law of the PRC and other related labour laws and regulations in operating regions to prohibit any child and forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, prior to confirmation of employment, the Group's human resources staff requires job applicants to provide valid identity documents to ensure that the applicants are lawfully employable. The Human Resources and Administration Department is responsible to monitor and ensure compliance of latest and relevant laws and regulations that prohibits child labour and forced labour. The Legal Department shall supervise the enforcement of these procedures.

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical and vital to maintain and manage a sustainable and reliable supply chain. Each of the operating subsidies monitors the quality of suppliers and supply chain practice on a strict and continuous basis.

For property development and investment business, the Group generally outsources construction work to independent construction companies that specialise in different aspects of property development. The project company of the Group oversees the procurement of construction materials and services and is responsible for sourcing relevant suppliers through existing supplier list, online media, referral, industry publications and public tendering. The Group performs site inspection to assess the potential contractor's reputation for quality and price, equipment and management status, whether the technical capacity meets the standards and specifications required for each development project and their social and environmental responsibility. Once the eligible tender has been selected, the project company works closely with the selected contractors in the execution of the development plans and closely monitor each phase of the construction to oversee the quality and timetable of completion of each project and to control costs. In addition, the Group requires construction companies to comply with PRC laws and regulations relating to the quality of construction as well as its own standards and specifications.

The suppliers are also subject to the Group's quality control procedures, including the examination on quality of materials and supplies, monitoring supply capacity and understanding financial position of the suppliers to ensure the stability of supply chain. The Group maintains good and long-term relationship with selected suppliers by establishing mutual trust and understanding.

B.6. Product Responsibility

As a property developer, the business activities of the Group are extensively regulated by the policies and other laws and regulations of the PRC Government including but not limited to The Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例), Construction Law of the PRC (中華人民共和國建築法), Law of the PRC on the Protection of Production Safety (中華人民共和國安全生產法), Environmental Protection Law of the PRC (中華人民共和國環境保護法) and Law of the PRC on the Prevention and Control of Ambient Noise Pollution (中華人民共和國環境噪聲污染防治法).

The Group sets up the product quality targets and formulates the corresponding technical standards and construction plans in the project planning. Besides, the project department shall regularly check whether the progress of the construction is in line with the project plan. When a material deviation is found, decisive measures shall be taken to adjust and coordinate the construction plan immediately.

The project company has the responsibility of safe management throughout the whole process of construction and operation. The Group sets up the reporting mechanism and contingency plan for public emergencies in construction site to ensure that the safety incident reporting is efficiently and timely. Besides, the Group carries out the necessary safety protection measures for special personnel and on-site workers and regularly organises workers for physical examination to ensure worker's health. In addition, the Group insures against liability for personal injuries that may occur to its employees during the construction of the Group's properties. The Group also purchases employee-related insurance, such as medical insurance and social welfare insurance, for its employees. The project responsible manager and professional engineer carries out engineering inspection and appraise the work of contractors on the quality of different phases in construction regularly. The safety and quality of the Group's properties are monitored at all stages of construction to ensure they meet the high standards and stringent requirements in place.

The Group pays paramount importance to opinion from the customers/distributors. Group's customer services department is set up for collecting the comment from the market and providing immediate response for products' inquiries through placing the opinion box in office and setting up 24 hours hotline. Through the internal and external communication channels, the Group can obtain first hand and intimate knowledge from customers/distributors.

The Group has issued internal guideline to ensure our marketing department are providing accurate and precise descriptions and information to customers who comply with the relevant laws and regulations for local operations such as Advertising Law of the PRC. Any misrepresentation or exaggeration of offerings made by our staffs is strictly prohibited. The Group has legal counsel to prevent violations of our advertising and labelling practices.

The Group committed in abiding by the PRC's Consumer Protection Law (中華人民共和國消費者權益保護法) and Hong Kong's Personal Data (Privacy) Ordinance to ensure customers' rights are strictly protected. Information collected from customers would only be used for the purpose for which it has been collected. The Group prohibits the provision of information to a third party without authorisation. All collected personal data during the course of business are treated as confidential and kept securely, accessible by designated personnel only. The Group strives to ensure it is complying with the relevant laws and regulations in business operation.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business such as Law of the PRC on Anti-money Laundering (中華人民共和國反洗錢法) and Hong Kong's Prevention of Bribery Ordinance (防止賄賂條例).

The Group has formulated comprehensive internal operating manuals and financial management policies. Also, the Group has strictly enforced the code of conduct which consists of policies related to bribery, illegal gifts, entertainment and commissions and anti-corruption. This code provides reporting channels and guidance for any suspected impropriety, misconduct or malpractice within the Group that it will not be tolerated any form of corruption. All employees are expected to discharge their duties with integrity and self-disciplined, and they are required to abstain from engaging bribery, extortion, fraud and money laundering activities or any activities which might exploit their positions against the Group's interests and affect their business decision or independent judgment in the course of business operations. Commitment on Prevention of Commercial Bribery/Integrity Cooperation Agreement (預防商業賄賂承諾書／廉潔合作協定) is signed by employees, business units and individuals to further regulate the parties' behaviour and strength the honestly and integrity in the business transactions.

Whistle-blowers can report verbally or in writing to CEO or immediate supervisor for any suspected misconduct or malpractice with full details and supporting evidence. The management would conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

COMMUNITY

B.8. Community Investment

The Group aims to promote economic and social development and build a harmonious society with the enterprise development. Therefore, it positively returns to the community in various forms. In 2017 and 2018, it has invested the community in the following ways:

- Donating RMB3 million for supporting children education;
- Donating RMB200,000 for environmental renovation;
- Donating RMB300,000 for supporting next generation development.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of Great China Properties Holdings Limited (the "Company") has been committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interest and believes that maintaining a high standard of corporate governance benefits all shareholders, investors, and its business as a whole. The Company has applied the principles and complied with the requirements of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period for the year ended 31 December 2018.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiries of all Directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

THE BOARD OF DIRECTORS

The Board is responsible for reviewing, evaluating and finalising the Company's strategies and policies, annual budgets, business plans and performance, and has full access to adequate, reliable and timely information on the Group so as to enable them to make a timely decision. It also has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs.

One of the roles of the Board is to protect and enhance shareholders' value. The Board acts with integrity and due care for the best interests of the Company and its shareholders. Leading the Group in a responsible and effective manner, the Board adopts formal terms of reference which detail its functions and responsibilities, including, but not limited to, ensuring competent management, approving objectives, strategies and business plans and monitoring integrity in the Company's conduct of affairs. The management is obliged to supply the Board with adequate information in a timely manner to enable the members to make informed decisions and to discharge their duties and responsibilities. Each director has separate and independent access to the Group's senior management to acquire more information and to make further enquiries if necessary.

The Board is also responsible for performing the corporate governance duties of the Company. The duties of the Board on corporate governance functions includes developing and reviewing the Group's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management and reviewing the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board currently comprises two Executive Directors, namely Mr. Huang Shih Tsai and Ms. Huang Wenxi; and three Independent Non-executive Directors, namely Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. Mr. Huang Shih Tsai is the father of Ms. Huang Wenxi. The Company will continue in seeking right candidates for board members so as to achieve a balanced and diversified composition of the Board which can effectively exercise independent judgement.

Each director has different professional and industrial experience, which enable them to make valuable and diversified advice and guidance to the Group's activities and development. Details of the background and qualifications of the directors of the Company are set out on pages 3 to 4 of this annual report. The Company has received, from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

Candidates to be nominated as directors are experienced, high calibre individuals. Under the Articles of Association of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting after his appointment and shall then be subject to re-election by the shareholders. Apart from this, every director, including the non-executive director, is subject to retirement by rotation at least once every three years.

During the financial year ended 31 December 2018, inclusive of the quarterly regular meetings according to the CG Code, the Board held a total of 4 board meetings. The attendance of each director is set out on page 22.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

On 23 August 2007, Ms. Huang Wenxi was designated as the Chief Executive Officer of the Company whereas Mr. Huang Shih Tsai was appointed as the Chairman of the Company on 29 June 2007. Mr. Huang Shih Tsai is the father of Ms. Huang Wenxi. From 23 August 2007 onwards, the role of the Chairman and the Chief Executive Officer are segregated, with a clear division of responsibilities. The primary role of the Chairman is to provide leadership for the Board and to ensure that it works effectively in the discharge of its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business.

BOARD COMMITTEES

The Board has established three committees in accordance with the CG Code, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice when appropriate and upon request. Details of these board committees, including their compositions, major responsibilities and functions, and work performed during the year ended 31 December 2018 are set out below:

Remuneration Committee

The Remuneration Committee currently comprises one Executive Director, namely Mr. Huang Shih Tsai; and three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (chairman of the Remuneration Committee), Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. It reviews and determines the policy for the remuneration of directors and senior management of the Company.

The primary responsibilities of the Remuneration Committee are:

(i) conducting regular review of the remuneration policy of Group's directors and senior management;

(ii) making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;

(iii) making recommendation to the Board on remuneration packages of the Company's directors;

(iv) determining remuneration packages of senior management proposed by the directors of the Company that will attract, motivate and retain the competent staff;

(v) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(vi) reviewing and approving compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment or any compensation arrangements relating to dismissal or removal of director for misconduct; and

(vii) recommending the Board of the structure of long-term incentive plans for executive directors and certain senior management.

During the financial year ended 31 December 2018, 1 remuneration committee meeting was held to review and approve the remuneration of the directors of the Company and discretionary bonus of the senior management of the Company. The attendance of each committee member is set out on page 22.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Hong Kei (chairman of the Audit Committee), Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. The Audit Committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

The primary responsibilities of the Audit Committee are:

(i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any resignation and dismissal of that auditor;

(ii) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standard;

(iii) liaising with the Board, senior management and the auditors to monitor the integrity of financial statements, the interim and annual reports in particular on its accounting policies and practices and compliance with accounting standards, the Listing Rules and other legal requirements in relation to financial reporting;

(iv) reviewing the financial control, internal control and risk management system to ensure the management of the Company discharge its duty to have an effective internal control system; and

(v) reviewing the report and management letter submitted by external auditors; and considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

For the financial year ended 31 December 2018, 2 audit committee meetings were held to review the financial results and the accounting principles and practices adopted by the Group for the year; and also the reviewed report on reviewing the financial system and internal control procedures of the Group.

Nomination Committee

The Nomination Committee was established on 6 March 2012 and comprises one Executive Director, namely Mr. Huang Shih Tsai (chairman of the Nomination Committee) and two Independent Non-executive Directors, namely Mr. Cheng Hong Kei and Mr. Lum Pak Sum. The primary responsibilities of the Nomination Committee are:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the board to complement the Company's corporate strategy;

(b) identifying and nominating for approval of the Board suitably qualified candidates as additional directors or to fill Board vacancies as they arise;

(c) making recommendations to the Board with respect to the re-election by shareholders of any director under the relevant provisions in the Company's Articles of Association;

(d) assessing the independence of the candidates in the case of appointment and re-appointment of independent non-executive directors having regard to relevant guidelines or requirements of the Listing Rules in place from time to time; and

(e) assessing the independence of independent non-executive directors on an annual basis having regard to relevant guidelines or requirements of the Listing Rules in place from time to time.

1 meeting was held by the Nomination Committee during the year ended 31 December 2018 to make recommendation to the board on the re-appointment of directors.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at general meetings and meetings of the Board and Committees during the year ended 31 December 2018:

	General Meeting	Board Meeting	Meeting of Audit Committee	Meeting of Remuneration Committee	Meeting of Nomination Committee
Executive Directors					
Huang Shih Tsai	0/1	4/4	N/A	1/1	1/1
Huang Wenxi	1/1	4/4	N/A	N/A	N/A
Independent Non-executive Directors					
Cheng Hong Kei	1/1	4/4	2/2	1/1	1/1
Leung Kwan, Hermann	1/1	4/4	2/2	1/1	N/A
Lum Pak Sum	1/1	4/4	2/2	1/1	1/1

DELEGATION BY THE BOARD

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to senior staffs that are responsible for different aspects of the operations of the Group.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance coverage in respect of legal action against the Directors in compliance with the CG Code. The insurance coverage is reviewed on an annual basis.

TRAINING AND SUPPORT FOR DIRECTORS

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company. The Company will also arrange and provide finance for suitable training, placing an appropriate emphasis on the roles, functions and duties of its Directors.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged suitable trainings for Directors in the form of seminar and provision of training materials. A summary of training received by Directors during the year ended 31 December 2018 according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, insider information and other relevant topics
Executive Directors	
Mr. Huang Shih Tsai	✓
Ms. Huang Wenxi	✓
Independent non-executive Directors	
Mr. Cheng Hong Kei	✓
Mr. Leung Kwan, Hermann	✓
Mr. Lum Pak Sum	✓

ACCOUNTABILITY AND AUDIT

The Board is responsible to ensure the preparation of the financial statements of the Company and the Group is in accordance with the relevant statutory requirements and applicable accounting standards and to ensure the published financial statements should be in a timely manner and can provide a true and fair view of the business and financial information of the Group. In preparing the financial statements, the Board has adopted Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinances that are relevant to its operations.

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 continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibilities of the external auditor about its financial reporting are set out in the Independent Auditor's Report attached to the Company's financial statements for the year ended 31 December 2018.

The Board has conducted a review of the effectiveness of the Group's internal control system with an aim to safeguard the shareholders' investment and the Group's assets in compliance with the provision of the CG Code. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Group's business objectives.

AUDITOR'S REMUNERATION

Remuneration paid and payable to the auditor of the Company in respect of Its services for the year ended 31 December 2018 are as follows:

Services rendered	HK$'000
Audit services	950

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by Mazars CPA Limited, who were appointed as the Company's auditor on 29 February 2016 to fill the casual vacancy arising from the resignation of Ernst & Young on 29 February 2016.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective internal control and risk management systems in order to safeguard the Group's assets and shareholders' interests, and review and monitor the effectiveness of the Group's internal control and risk management systems on a regular basis so as to ensure that the internal control and risk management systems in place are adequate. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Group's business objectives.

The Group does not have an internal audit function due to the size of the Group and for cost effectiveness consideration. During the year ended 31 December 2018, the Board, through its Audit Committee carries out reviews on the effectiveness of the internal control and risk management systems. The Audit Committee had reported during the Audit Committee meetings the key findings identified by the Company's external auditor in respect of the Group's internal controls and risk management and discussed findings and actions or measures taken in addressing those findings. The Company considers the internal control and risk management system is effective during the year under review. No material issues on the Group's internal control and risk management system have been identified during the year ended 31 December 2018 which required significant rectification works.

COMPANY SECRETARY

Ms. Yeung Lee was appointed as the secretary of the Company on 26 August 2016. Ms. Yeung confirmed that she had attained no less than 15 hours of relevant professional training during the year ended 31 December 2018. Her biography details are set out in section headed "Directors and Senior Management Profiles" in this annual report.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting and to put forward proposals at Shareholders' meeting

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board of the Company by mail at Suite 6403A-4, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting on the date not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Suite 6403A-4, 64/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

INVESTOR RELATIONS

Constitutional Documents

During the year ended 31 December 2018, no change has been made in the Company's constitutional documents.

Communication with Shareholders

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public at large, the Company maintains a website (www.greatchinaproperties.com) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and shareholders circulars are being made available.

The Board is endeavour to maintain an on-going dialogue with shareholders. The chairman of the Board and members of the Board Committee will attend the annual general meeting to answer questions.

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

The Board of Directors (the "Board") is pleased to present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 15 to the consolidated financial statements. The Group has started engaging in securities advisory and asset management business during the year ended 31 December 2018 following the obtaining of the Type 4 and Type 9 licenses from the Securities and Futures Commissions.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of comprehensive income on page 41.

The Board does not recommend the payment of any dividend in respect of the year.

BUSINESS REVIEW

A business review of the Group during the year and a discussion on the Group's future business development are set out in the sections heading "Business Review" under the Management Discussion And Analysis of this report. The description of possible risks and uncertainties that the Group may be facing are set out in notes 38 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the five years ended 31 December 2014, 2015, 2016, 2017 and 2018, as extracted from the published audited consolidated financial statements, is set out on page 118. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 12 and 13 to the consolidated financial statements, respectively. Further details of the Group's investment properties are set out on page 119.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 30, respectively, to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39(a) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DIRECTORS

The directors of the Company during the year or during the period from the end of the year to the date of this report were:

Executive Directors

Huang Shih Tsai
Huang Wenxi

Independent Non-executive Directors

Cheng Hong Kei
Leung Kwan, Hermann
Lum Pak Sum

The directors of the Company's subsidiaries during the year or during the period from the end of the year to the date of this report were Ms. Huang Wenxi and Ms. Yeung Lee.

Mr. Cheng Hong Kei and Mr. Leung Kwan, Hermann, both were appointed as the Independent Non-executive Director on 8 June 2006, will hold office until the AGM and, being eligible, have offered themselves for re-election.

In accordance with clause 103(A) of the Articles Mr. Huang Shih Tsai, Ms. Huang Wenxi and Mr. Lum Pak Sum will retire by rotation. All retiring directors, being eligible, will offer themselves for re-election at the annual general meeting.

Each of Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum has served as Independent Nonexecutive Director for more than 9 years. Notwithstanding that each of Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum has served as Independent Non-executive Director for more than 9 years, (i) the Board has assessed and reviewed the annual confirmation of independence based on the criteria set out in Rule 3.13 of the Listing Rules and affirmed that each of Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum remains independent; (ii) the nomination committee of the Company has assessed and is satisfied of the independence of each of Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum; and (iii) the Board considers that each of Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum remains independent of management and free of any relationship which could materially interfere with the exercise of their independent judgment. In view of the aforesaid factors and the fact that the experience and knowledge of the relevant individuals in the business sectors in which the Company operates, the Board would recommend Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum for re-election at the forthcoming annual general meeting.

Save as prescribed in the Listing Rules and the respective service contracts, the term of office of each Independent Non-executive Director is for a period from the date of appointment up to the next annual general meeting and subjected to rotation pursuant to the Company's Articles of Association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 3 to 4 of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

After consideration, the directors are of the opinion that no transactions, arrangements and contracts of significance in relation to the Company's business to which its subsidiaries, was a party and in which a director of the Company or a connected entity of the director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2018, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which 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 (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company:

Name of Directors	Capacity in which interests are held	Number of Shares/underlying Shares interested Personal interests	Corporate interests	Underlying interests	Total	Approximate percentage of the issued share capital of the Company *(Note 1)*
Mr. Huang Shih Tsai *(Note 2)*	Beneficial Owner	1,848,162,476	–	1,000,000	1,849,162,476	55.82
Ms. Huang Wenxi *(Note 3)*	Beneficial Owner	353,667,996	282,133,413	1,000,000	636,801,409	19.22
Mr. Cheng Hong Kei *(Note 4)*	Beneficial Owner	–	–	1,000,000	1,000,000	0.03
Mr. Leung Kwan, Hermann *(Note 4)*	Beneficial Owner	–	–	1,000,000	1,000,000	0.03
Mr. Lum Pak Sum *(Note 4)*	Beneficial Owner	–	–	1,000,000	1,000,000	0.03

Notes:

1. The percentage shareholding in the Company is calculated on the basis of 3,312,698,406 shares in issue as at 31 December 2018.

2. The interest disclosed represents (i) Mr. Huang's personal interest in 1,848,162,476 shares; and (ii) 1,000,000 unlisted physically settled options granted pursuant to the 2011 Share Option Scheme.

3. The interest disclosed represents (i) Ms. Huang's personal interest in 353,667,996 shares; (ii) 282,133,413 shares held by Brilliant China Group Limited which is 100% owned by Ms. Huang; and (iii) 1,000,000 unlisted physically settled options granted pursuant to the 2011 Share Option Scheme.

4. The relevant interests are unlisted physically settled options granted pursuant to the 2011 Share Option Scheme.

Save as disclosed above, as at 31 December 2018, none of the directors and chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which 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 (ii) which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

ARRANGEMENTS FOR ACQUISITION OF SHARES OR DEBENTURES

Pursuant to the share option scheme of the Company, on 23 January 2013, directors of the Company, Mr. Huang Shih Tsai, Ms. Huang Wenxi, Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum, were granted options to subscribe for 5,000,000 ordinary shares of Company in total at the exercise price of HK$0.44. At the end of the year, 5,000,000 share options remained outstanding. The arrangement has been accounted for in the consolidated financial statements as a share-based payment transaction as disclosed in note 30 to the consolidated financial statements. The directors who held office at any time during the year and held, or whose nominees held, shares acquired under the arrangement include Mr. Huang Shih Tsai, Ms. Huang Wenxi, Mr. Cheng Hong Kei, Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2018, so far as is known to any director or chief executive of the Company, the following person (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Long positions in the share of the Company

Name of Shareholders	Type of interests	Total number of shares held	Approximate percentage holding of total issued shares
Brilliant China Group Limited	Corporate	282,133,413	8.52

Brilliant China Group Limited ("Brilliant China") is a company 100% owned by Ms. Huang Wenxi. By virtue of the SFO, Ms. Huang Wenxi is deemed to be interested in 282,133,413 shares held by Brilliant China. Ms. Huang is the sole director of Brilliant China.

Save as disclosed above, as at 31 December 2018, the Company has not been notified of any other person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PERMITTED INDEMNITY PROVISIONS

During the financial year and up to the date of this report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the directors of the Company and its subsidiaries. The permitted indemnity provisions are provided for in the Company's Articles of Association and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such directors.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of its independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has also assessed the independence of the independent non-executive directors and was satisfied that they were independent. Thus, the Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Further details of the transactions are included in note 34 to the consolidated financial statements.

Property Leasing Agreement

On 28 April 2017, (i) 滙通天下控股(中國)有限公司 (Waytung Global Holding (China) Limited*) ("Waytung China"), a wholly-owned subsidiary of the Company, and 大中華國際集團(中國)有限公司 (Great China International Group (China) Limited*) ("GCI") entered into the 2017 Property Leasing Agreement I; (ii) 大中華實業(惠州)有限公司 (Great China Enterprises (Huizhou) Limited*) ("Great China (Huizhou)") and GCI entered into the 2017 Property Leasing Agreement II; and (iii) 汕尾市大中華實業有限公司 (Shanwei Great China Enterprises Limited*) ("Great China (Shanwei)") and GCI entered into the 2017 Property Leasing Agreement III. Each of Waytung China, Great China (Huizhou) and Great China (Shanwei) is a wholly-owned subsidiary of the Company. GCI is indirectly wholly-owned by Mr. Huang Shih Tsai, a substantial shareholder, the Chairman and the Executive Director of the Company. Mr. Huang is also a director of GCI. As such, GCI is a connected person of the Company. Accordingly, the transactions constitute continuing connected transactions of the Company.

According to the 2017 Property Leasing Agreements, (i) Waytung China shall pay a monthly rental of RMB68,000 and a monthly management fee, air-conditioning and maintenance fees of RMB12,260; (ii) Great China (Huizhou) shall pay a monthly rental of RMB85,000 and a monthly management fee, air-conditioning and maintenance fees of RMB15,325; and (iii) Great China (Shanwei) shall pay a monthly rental of RMB51,000 and a monthly management fee, air-conditioning and maintenance fees of RMB9,195. Please refer to the announcement of the Company dated 28 April 2017 for details of the transactions.

* *For identification purposes only*

The above continuing connected[#] transactions did not exceed the relevant annual cap amounts. The Independent Non-executive Directors have reviewed the continuing connected transactions of the Company and confirmed that they were:

i. entered into in the ordinary and normal course of business of the Group;

ii. on normal commercial terms; and

iii. entered into in accordance with the relevant agreements regulating these transactions and on terms that are reasonable and fair and are in the interests of the shareholders of the Company as a whole.

Mazars CPA Limited, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Mazars CPA Limited has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2018, the interests of directors and their respective associates in businesses which compete or are likely to compete, either directly or indirectly, with business of the Group:

Name of Director	Name of entity whose businesses were considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which were considered to compete with the businesses of the Group	Nature of interest of the Director in the entity
Mr. Huang Shih Tsai	GCI[#]	Property development and investment	Ultimate beneficial owner and director

[#] Such businesses may be carried out through its subsidiaries or associates of the entity concerned or by way of other forms of investments. As the Board is independent from the board of the abovementioned company and no director of the Company can control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

As at 31 December 2018, save as disclosed above, none of the directors or their respective associates was interested in any business which competes or is likely to compete either directly or indirectly, with business of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, they confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company has adopted and complied generally with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018. Details of the Corporate Governance Report of the Company are set out in pages 19 to 25.

EQUITY-LINKED AGREEMENTS

The Company adopted a share option scheme on 23 May 2011 (the "2011 Share Option Scheme"). Particulars of share options outstanding under the 2011 Share Option Scheme at the beginning and at the end of the year ended 31 December 2018 and share options granted, exercised, lapsed or cancelled under the 2011 Share Option Scheme during such period are as follows:

Participants	Date of grant	Exercise period of share option	Exercise price of share options HK$	Number of share options held as at 1 January 2018	Granted during the year ended 31 December 2018	Exercised during the year ended 31 December 2018	Lapsed/ cancelled during the year ended 31 December 2018	Number of share options held as at 31 December 2018
Directors								
Mr. Huang Shih Tsai	23/1/2013	23/1/2015 to 22/1/2023	0.440	1,000,000	–	–	–	1,000,000
Ms. Huang Wenxi	23/1/2013	23/1/2015 to 22/1/2023	0.440	1,000,000	–	–	–	1,000,000
Mr. Cheng Hong Kei	23/1/2013	23/1/2015 to 22/1/2023	0.440	1,000,000	–	–	–	1,000,000
Mr. Leung Kwan, Hermann	23/1/2013	23/1/2015 to 22/1/2023	0.440	1,000,000	–	–	–	1,000,000
Mr. Lum Pak Sum	23/1/2013	23/1/2015 to 22/1/2023	0.440	1,000,000	–	–	–	1,000,000
Sub-total				5,000,000	–	–	–	5,000,000
Employees	23/1/2013	23/1/2015 to 22/1/2023	0.440	500,000	–	–	–	500,000
Total				**5,500,000**	**-**	**-**	**-**	**5,500,000**

As at 31 December 2018, the Company had 5,500,000 share options outstanding under the 2011 Share Option Scheme.

EMOLUMENT POLICY

The emoluments of the employees of the Group are determined on the basis of their merit, qualification and competence. The management's remuneration proposals are reviewed and approved by the remuneration committee with reference to the Board's corporate goals and objectives.

The emoluments of the directors and senior management of the Company are determined by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics. Details of the directors' emoluments for the year ended 31 December 2018 is set out in note 8 to the consolidated financial statements.

As at 31 December 2018, the Group employed 114 employees (excluding directors) (31 December 2017: 146 employees) and the related staff costs amounted to approximately HK$18,700,000 (31 December 2017: approximately HK$16,960,000). Staff remuneration packages, which are reviewed annually, include salary/wage and other benefits, such as medical insurance coverage, provident fund and share options.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit scheme for the year ended 31 December 2018 is set out on page 72 under subtitle of "Other employee benefits".

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, revenue of approximately HK$1,482,000 (2017: HK$1,413,000) arose from the Group's largest customer.

The Group has no major suppliers as defined under the Listing Rules.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's major customer.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

SUFFICIENCY OF 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 a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with the requirements as set out in Appendix 14 of the Listing Rules, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Mr. Cheng Hong Kei (Chairman of the Audit Committee), Mr. Leung Kwan, Hermann and Mr. Lum Pak Sum. The Group's final result for the year ended 31 December 2018 has been reviewed by the Audit Committee.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by Mazars CPA Limited, who was appointed as the Company's auditor on 29 February 2016 to fill the casual vacancy arising from the resignation of Ernst & Young on 29 February 2016.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

On behalf of the Board

Huang Shih Tsai
Chairman

Hong Kong, 29 March 2019

INDEPENDENT AUDITOR'S REPORT

MAZARS

MAZARS CPA LIMITED
中審眾環(香港)會計師事務所有限公司
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To the members of Great China Properties Holdings Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Great China Properties Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 41 to 117, which comprise the consolidated statement of financial position as at 31 December 2018, and 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 financial position of the Group as at 31 December 2018, and of its financial performance and 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 (the "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 for the current year. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties Refer to note 13 to the consolidated financial statements. The Group's completed investment properties measured at fair value amounted to HK$213,138,000 as at 31 December 2018. The fair value was determined by the Group with reference to the valuation performed by an independent professional valuer (the "Valuer") engaged by the Group. The valuation of completed investment properties involved significant judgements and estimates including the determination of valuation techniques and the selection of different inputs in the models.	Our procedures in relation to the valuation of the completed investment properties included: • Reviewing the valuation report from the Valuer and holding discussions with management and the Valuer to understand the valuation basis and methodology used, and underlying assumptions applied; • Evaluating the objectivity, independence and competency of the Valuer; and • Obtaining, on a sample basis, the underlying data including comparables of market transactions being used by the Valuer and assessing the appropriateness. We found that the valuation of completed investment properties to be supported by available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of properties under development and properties held for sale Refer to notes 17 and 18 to the consolidated financial statements. As at 31 December 2018, the Group had various properties under development and properties held for sale (the "Properties") located in the People's Republic of China with carrying amounts of HK$611,876,000 and HK$727,797,000 respectively. The Properties are stated at the lower of cost and net realisable value on an individual property basis. Net realisable value is estimated at the actual or estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. The net realisable value was determined by the Group with reference to the valuation performed by the Valuer. If the actual net realisable value on properties under development and properties held for sale is less than expected as a result of changes in market condition and/or significant variation in the budgeted development costs, material write down of properties under development and properties held for sale may result.	Our procedures in relation to the valuation of the Properties included: • Reviewing the valuation report from the Valuer and holding discussions with management and the Valuer to understand the valuation basis and methodology used, and underlying assumptions applied; • Evaluating the objectivity, independence and competency of the Valuer; • Assessing the reasonableness of the construction budgets of the Properties by comparing them to actual construction costs incurred for other properties developed by the Group; and • Obtaining, on a sample basis, the underlying data including comparables of market transactions being used and assessing the appropriateness. We found that the valuation of the Properties to be supported by available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill Refer to note 14 to the consolidated financial statements. As at 31 December 2018, the Group had goodwill of HK$204,986,000 relating to the acquisition of a wholly owned subsidiary. For the purpose of annual impairment review, the goodwill was allocated to cash generating units (the "CGUs") and the management determined the recoverable amount of the CGUs based on value in use calculation using cash flow projections. This requires significant management judgement with respect to the growth rate, discount rate and underlying cash flows. In order to support the management's estimation, the Group engaged the Valuer to perform valuation on the CGUs at the end of the reporting period. The management concluded that there is no impairment of goodwill.	Our procedures in relation to the impairment assessment of goodwill included: • Reviewing the valuation report from the Valuer and holding discussions with the management and the Valuer to understand the valuation basis and methodology used, and underlying assumptions applied; • Evaluating the objectivity, independence and competency of the Valuer; • Assessing the reasonableness of the assumptions, methodologies and key inputs (including growth rate and discount rate) used in the value in use calculation; and • Considering the result of sensitivity analysis on reasonably possible downside changes in key assumptions. We found management's conclusion that there was no impairment of goodwill to be supported by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in this annual report but does not include 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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 Audit Committee, which is regarded as those charged with governance, assists the directors 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 skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 to 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 those 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 these 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.

Mazars CPA Limited
Certified Public Accountants
Hong Kong
29 March 2019

The engagement director on the audit resulting in this independent auditor's report is:
Chan Chi Ming Andy
Practising Certificate number: P05132

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	87,228	34,251
Cost of sales and services		(59,778)	(28,862)
Gross profit		27,450	5,389
Other income and gains	5	537	537
Selling and distribution expenses		(3,931)	(4,173)
Administrative and operating expenses		(31,277)	(32,032)
Foreign exchange gain/(loss), net		51,055	(45,036)
Finance costs	6	(29)	(39)
Fair value gains on investment properties, net	13	–	1,092
PROFIT/(LOSS) BEFORE TAX	7	43,805	(74,262)
Income tax expense	10	(2,093)	(612)
PROFIT/(LOSS) FOR THE YEAR		41,712	(74,874)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO:			
– Owners of the Company		41,712	(74,874)
– Non-controlling interests		–	–
		41,712	(74,874)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted		HK1.26 cents	(HK2.26 cents)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(113,763)	116,834
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(72,051)	41,960
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:			
– Owners of the Company		(72,051)	41,960
– Non-controlling interests		–	–
		(72,051)	41,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**170,792**	167,562
Investment properties	13	**227,911**	242,911
Goodwill	14	**204,986**	218,470
Interests in associates	16	**135,023**	143,905
Properties under development	17	**611,876**	645,641
Prepayments	20	**–**	66
Total non-current assets		**1,350,588**	1,418,555
CURRENT ASSETS			
Properties held for sale	18	**727,797**	753,827
Trade receivables	19	**381**	570
Prepayments, deposits and other receivables	20	**16,883**	18,974
Equity investments at FVPL	21	**15**	15
Cash and bank balances	22	**12,802**	24,471
Total current assets		**757,878**	797,857
CURRENT LIABILITIES			
Trade payables	23	**22,734**	21,138
Other payables and accruals	24	**108,788**	133,209
Current portion of obligations under finance lease	27	**517**	521
Amounts due to related companies	25	**139,061**	146,727
Amounts due to substantial shareholders	26	**767,495**	759,979
Tax payable		**415**	140
Total current liabilities		**1,039,010**	1,061,714
NET CURRENT LIABILITIES		**(281,132)**	(263,857)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,069,456**	1,154,698
NON-CURRENT LIABILITIES			
Deferred tax liabilities	28	**169,245**	181,919
Non-current portion of obligations under finance lease	27	**23**	540
Total non-current liabilities		**169,268**	182,459
Net assets		**900,188**	972,239
EQUITY			
Equity attributable to owners of the Company			
Share capital	29	**905,676**	905,676
Other (deficits) reserves		**(5,501)**	66,550
		900,175	972,226
Non-controlling interests		**13**	13
Total equity		**900,188**	972,239

Approved and authorised for issue by the Board of Directors on 29 March 2019 and signed on its behalf by

Huang Shih Tsai
Director

Huang Wenxi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital	Capital reduction reserve* *(Note i)*	Share-based payment reserve* *(Note ii)*	Translation reserve* *(Note iii)*	Accumulated losses*	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	905,676	265,505	1,607	(150,118)	(92,404)	930,266	13	930,279
Loss for the year	–	–	–	–	(74,874)	(74,874)	–	(74,874)
Other comprehensive income for the year:								
Exchange differences arising on translation of foreign operations	–	–	–	116,834	–	116,834	–	116,834
Total comprehensive income/(loss) for the year	–	–	–	116,834	(74,874)	41,960	–	41,960
At 31 December 2017 and 1 January 2018	905,676	265,505	1,607	(33,284)	(167,278)	972,226	13	972,239
Profit for the year	–	–	–	–	41,712	41,712	–	41,712
Other comprehensive loss for the year:								
Exchange differences arising on translation of foreign operations	–	–	–	(113,763)	–	(113,763)	–	(113,763)
Total comprehensive (loss)/income for the year	–	–	–	(113,763)	41,712	(72,051)	–	(72,051)
At 31 December 2018	**905,676**	**265,505**	**1,607**	**(147,047)**	**(125,566)**	**900,175**	**13**	**900,188**

* These reserve accounts represent in aggregate the consolidated deficits of HK$5,501,000 (2017: consolidated reserves of HK$66,550,000) in the consolidated statement of financial position.

Notes:

(i) The capital reduction reserve represents the surplus arising from capital reduction transaction, and the reserve is non-distributable.

(ii) The share-based payment reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in the notes to the consolidated financial statements.

(iii) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS USED IN OPERATING ACTIVITIES			
Profit/(loss) before tax		**43,805**	(74,262)
Adjustments for:			
Bank interest income		**(156)**	(150)
Fair value loss on equity investments at FVPL		**–**	91
Fair value gains on investment properties		**–**	(1,092)
(Gain)/loss on disposal of property, plant and equipment		**(7)**	61
Depreciation		**3,075**	3,081
Finance costs		**29**	39
Exchange difference, net		**(51,802)**	45,466
		(5,056)	(26,766)
Increase in properties held for sale		**(19,679)**	(130,809)
Increase in properties under development		**(6,085)**	(40,142)
Decrease in trade receivables		**154**	768
Decrease/(increase) in deposit, prepayments and other receivables		**1,013**	(7,864)
Increase/(decrease) in trade payables		**2,901**	(681)
(Decrease)/increase in other payables and accruals		**(16,340)**	51,277
Cash used in operations		**(43,092)**	(154,217)
PRC tax paid		**(3,333)**	(2,641)
Net cash flows used in operating activities		**(46,425)**	(156,858)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Bank interest received		**156**	150
Proceeds from disposal of property, plant and equipment		**27**	84
Purchases of property, plant and equipment		**(16,483)**	(68,666)
Decrease/(increase) in pledged and restricted bank balances		**5,771**	(11,686)
Net cash flows used in investing activities		**(10,529)**	(80,118)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES			
Interest paid		**(29)**	(39)
Advance from substantial shareholders	37(b)	**66,654**	243,754
Repayment to substantial shareholders	37(b)	**(14,941)**	(128)
Advance from related companies	37(b)	**1,777**	26
Repayment to related companies	37(b)	**(387)**	(983)
Repayment of obligations under finance leases	37(b)	**(521)**	(420)
Net cash flows from financing activities		**52,553**	242,210
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,401)**	5,234
Cash and cash equivalents at beginning of the year		**8,704**	3,416
Effect of foreign exchanges, net		**(524)**	54
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	22	**3,779**	8,704

1. CORPORATE INFORMATION

Great China Properties Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its registered office is located at Suite 6403A-4, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in property development and investment.

2.1 BASIS OF PREPARATION

The Group had net current liabilities of HK$281,132,000 as at 31 December 2018 and net cash used in operating activities of HK$46,425,000 for the year ended 31 December 2018. Notwithstanding of the above, the directors consider the going concern basis of preparation of the consolidated financial statements is appropriate after taking into consideration the following:

(a) The Group is able to generate operating profits and cash inflows from future sales of properties; and

(b) A substantial shareholder has confirmed that he will provide financial support to the Group to meet its financial obligations as they fall due, if required, including not to demand repayment of the amounts due to him and due to companies controlled by him in aggregate of HK$896,856,000 until the Group is in a position to do so.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, except for certain investment properties and equity investments at fair value through profit or loss ("FVPL") which have been measured at fair value as explained in the accounting policies set out below. These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between subsidiaries of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries in note 2.4 below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2017 consolidated financial statements except for the adoption of the following new/revised HKFRSs issued by the HKCPA, which are relevant to the Group and effective for the annual period beginning on 1 January 2018:

Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Annual Improvements to HKFRSs	2014–2016 Cycle: HKAS 28
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKAS 40: Transfers of Investment Property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Annual Improvements 2014-2016 Cycle

HKAS 28: Measuring an associate or joint venture or its subsidiaries at fair value

The amendments clarify that the election to measure associates or joint ventures at fair value or retain the fair value measurement applied by investment entity associates or joint ventures can be made separately for each associate or joint venture at the relevant date.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

HK(IFRIC)-Int 22: Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognised the non-monetary asset or non-monetary liability arising from the advance consideration.

The adoption of the Interpretation does not have any significant impact on the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9: Financial Instruments

The following terms are used in these consolidated financial statements:

- FVPL: fair value through profit or loss.
- FVOCI: fair value through other comprehensive income.
- Designated FVOCI: equity instruments measured at FVOCI.
- Mandatory FVOCI: debt instruments measured at FVOCI.

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. It introduces new requirements for the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in HKFRS 9, comparative information has not been restated and the Group has applied HKFRS 9 retrospectively to financial instruments that existed at 1 January 2018 (i.e. the date of initial application), except as described below:

(a) The following assessments are made on the basis of facts and circumstances that existed at the date of initial application:

(i) the determination of the business model within which a financial asset is held;

(ii) the designation of financial assets or financial liabilities at FVPL or, in case of financial assets, at Designated FVOCI; and

(iii) the de-designation of financial assets or financial liabilities at FVPL.

The above resulting classification shall be applied retrospectively.

(b) If, at the date of initial application, determining whether there has been a significant increase in credit risk since initial recognition would require undue cost or effort, a loss allowance is recognised at an amount equal to lifetime expected credit losses at each reporting date until the financial instrument is derecognised unless that financial instrument has low credit risk at a reporting date.

(c) For investments in equity instruments that were measured at cost under HKAS 39, the instruments are measured at fair value at the date of initial application.

The adoption of HKFRS 9 has no significant effect on the classification and measurement of the Group's financial assets and financial liabilities. The carrying amounts for all financial assets and financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 15: Revenue from Contracts with Customers

HKFRS 15 replaces, among others, HKAS 18 and HKAS 11 which specified the revenue recognition arising from sale of goods and rendering of services and the accounting for construction contracts respectively. The Standard establishes a comprehensive framework for revenue recognition and certain costs from contracts with customers within its scope. It also introduces a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2018 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 15.

In addition, the Group has applied HKFRS 15 retrospectively only to contracts that were not completed at 1 January 2018 in accordance with the transitional provisions therein.

The adoption of HKFRS 15 does not have any significant impact on the consolidated financial statements.

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED

At the date of authorisation of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Annual Improvements to HKFRSs	*2015–2017 Cycle* [1]
HKFRS 16	*Leases* [1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments* [1]
Amendments to HKAS 19	*Employee benefits* [1]
Amendments to HKAS 28	*Investments in Associates and Joint Ventures* [1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation* [1]
Amendments to HKASs 1 and 8	*Definition of Material* [2]
Amendments to HKFRS 3	*Definition of a Business* [3]
HKFRS 17	*Insurance Contracts* [4]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective to acquisitions occur on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 The effective date to be determined

2.3 NEW AND REVISED HKFRSs NOT YET ADOPTED (Continued)

Except as described below, the directors of the Company do not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

HKFRS 16 *"Leases"*

HKFRS 16 significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

As disclosed in note 31(b) to the consolidated financial statements, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases for properties amounted to HK$7,187,000, which is payable between 1 and 50 years after the reporting date. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of HKFRS 16 would not have significant impact on the financial position and performance of the Group comparing HKAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

In the Company's statement of financial position which is presented within these notes, an investment in subsidiary is stated at cost less impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of the associate are included in the consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Group discontinues recognising its share of further losses when the Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Group's net investment in the investee.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at FVPL at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset (other than goodwill) is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group when:

(a) the party is a person or a close member of that person's family and 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.

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

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 and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than buildings under construction, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Machinery	10% to 33.33%
Furniture and fixtures	20% to 33.33%
Motor vehicles	20% to 30%
Computer equipment	33.33%

Buildings under construction for production, supply or administrative purposes are stated at cost less any impairment losses. The costs comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the construction period. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Investment properties under construction

Investment properties under construction are initially measured at cost and subsequently at fair values using the fair value model. If the fair value cannot be reliably determined, the investment properties under construction will be measured at cost less impairment until such time as fair value can be determined or construction is completed, in which time any difference between the fair value and the previous carrying amount is recognised in profit or loss in that period.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the land costs, construction costs, capitalised borrowing costs and other costs directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to the category of properties held for sale under current assets when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within normal operating cycle.

Properties held for sale

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and buildings costs attributable to unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices on an individual property basis.

Properties held for sale under development

Properties held for sale under development are intended to be held for sale after completion. Held for sale under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, capitalised borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

On completion of construction, the properties are transferred to completed properties held for sale. Properties held for sale under development are classified as current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms.

As lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Lease incentives are recognised in profit or loss as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

Classification and measurement

Applicable from 1 January 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first interim reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Financial assets** (Continued)*

Classification and measurement (Continued)

(1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade receivables, deposits and other receivables and cash and bank balances.

(2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, and financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets. Dividend or interest income is presented separately from fair value gain or loss.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

Financial assets are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets.

The Group's financial assets mandatorily measured at FVPL include equity investments at FVPL.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Classification and measurement (Continued)

Applicable before 1 January 2018

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group classified its financial assets into one of the following categories before 1 January 2018:

(1) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at FVPL are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Company becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, amounts due to related companies and substantial shareholders and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder of the contract for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Subsequently, the financial guarantee is measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with HKFRS 15 and (ii) the amount of the loss allowance determined in accordance with the expected credit losses ("ECL") model under HKFRS 9, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

Before the adoption of HKFRS 9, the financial guarantee is subsequently measured at the higher of (i) the amount initially recognised less, when appropriate, the cumulative amortisation recognised in accordance with HKAS 18, and (ii) the amount of the provision determined in accordance with HKAS 37, unless the financial guarantee is measured at FVPL or arises from a transfer of a financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9

Applicable from 1 January 2018

The Group recognises loss allowances for ECL on financial assets measured at amortised cost (including other receivables and bank balances and cash) and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

For a financial guarantee contract, the entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the entity expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on past due information or other credit risk characteristics.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, except in the case of Mandatory FVOCI, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

***Impairment of financial assets and other items under HKFRS 9** (Continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria.

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. For financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 *(Continued)*

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower.

(b) a breach of contract, such as a default or past due event.

(c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider.

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets and other items under HKFRS 9 *(Continued)*

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recovery made is recognised in profit or loss.

Applicable before 1 January 2018

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets, other than those at FVPL is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and bank deposits, 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Rental income under operating leases is recognised when the properties are let out and on the straight-line basis over the lease term.

Dividend income from financial assets is recognised when the Group's rights to receive dividend is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Revenue from contracts with customers within HKFRS 15-Applicable from 1 January 2018

Nature of goods or services

The nature of the goods or services provided by the Group is (i) sales of properties; and (ii) property management services.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of services) that is distinct; or

(b) a series of distinct good or service that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers within HKFRS 15-Applicable from 1 January 2018 (Continued)

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised goods or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Sale of properties is recognised at a point in time when the customer obtains the control of the promised asset, which generally coincides with the time when the properties are delivered to customers and the title is passed.

Property management income is recognised over time when services are rendered.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Group applies the input method (i.e. based on the proportion of the actual inputs deployed to date as compared to the estimated total inputs) to measure the progress towards complete satisfaction of the performance obligation because there is a direct relationship between the Group's inputs and the transfer of control of goods or services to the customers and reliable information is available to the Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The input method applied for property management income is based on the period in which services are rendered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Applicable before 1 January 2018

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and cost, if applicable, can be measured reliably, on the following bases:

(a) from the sales of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;

(b) rental income under operating leases, on a time proportion basis over the lease terms;

(c) property management income, on an accrual basis, in the period in which services are rendered;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income from investments is recognised when the Group's rights to receive payment have been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

For the sales of properties, it is common for the Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

For the rental and property management income, the Group receives payments from the customer which are largely in line with the timing of revenue recognition and no significant contract assets or contract liabilities are recognised.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes Option Pricing model, further details of which are given in note 30 to the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings/loss per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of their 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Hong Kong dollars ("HK$") and majority of its subsidiaries have Renminbi ("RMB") as their functional currency. The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

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 Group's chief operating decision makers, who are the directors of the Company, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosures made. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Investment properties under construction

Property under construction for future use as an investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction is measured at cost until such time as fair value can be determined or construction is completed. The directors of the Company have concluded that the fair value of investment properties under construction cannot be measured reliably and, therefore, investment properties under construction continue to be measured at cost until construction is substantially completed and the remaining construction cost can be accurately estimated.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2018 was HK$204,986,000 (2017: HK$218,470,000). Further details are given in note 14 to the consolidated financial statements.

Estimation of net realisable value of properties under development and properties held for sale

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties under development and properties held for sale of the Group are set out in notes 17 and 18, respectively, to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of total budgeted costs and costs to completion for buildings under construction, properties held for sale under development and properties under development

Total budgeted costs for buildings under construction, properties held for sale under development and properties under development comprise (i) prepaid land lease payments; (ii) building costs; and (iii) any other direct costs attributable to the development of the properties. In estimating the total budgeted costs, management makes reference to information such as (i) current offers from contractors and suppliers; (ii) recent offers agreed with contractors and suppliers; and (iii) professional estimation on construction and material costs.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties as at 31 December 2018 was HK$227,911,000 (2017: HK$242,911,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 13 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses as at 31 December 2018 was HK$118,244,000 (2017: HK$124,394,000) for the Group. Further details are contained in note 28 to the consolidated financial statements.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax ("LAT") implemented upon the issuance of the Provisional Regulations of The PRC on 27 January 1995, all gains arising from the transfer of real estate properties in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Land appreciation tax (Continued)

The subsidiaries of the Group engaging in the property development business in the PRC are subject to LAT, which has been included in income tax. However, the implementation of LAT varies amongst various PRC cities and the Group has not finalised certain of its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions of LAT in the period in which such determination is made.

Impairment of other receivables

The Group conducts impairment reviews of financial assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable in accordance with the relevant accounting standards. Determining whether an asset is impaired requires an estimation of the future cash flows and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 December 2018, provisions for impairment of other receivables of HK$1,448,000 (2017: HK$1,544,000) were made and the carrying amount of other receivables was HK$7,537,000 (2017: HK$9,361,000).

4. OPERATING SEGMENT INFORMATION

The Group has a single reportable segment based on the location of the operations, which is property development and investment located in the PRC. Information reported to the Group's chief operating decision makers for the purpose of resources allocation and performance assessment focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Information about a major customer

Rental income of approximately HK$1,482,000 (2017: HK$1,413,000) was derived from the Group's largest customer.

5. REVENUE AND OTHER INCOME AND GAINS

An analysis of revenue and other income and gains is as follows

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers within HKFRS15:		
Sales of properties	83,925	31,420
Property management income	994	807
	84,919	32,227
Revenue from other sources:		
Gross rental income	2,309	2,024
Total revenue	87,228	34,251
Other income and gains:		
Bank interest income	156	150
Fair value loss on equity investments at FVPL	–	(91)
Others	381	478
	537	537

The revenue from contracts with customers within HKFRS 15 is disaggregated as follows:

	Sales of properties HK$'000	Property management income HK$'000	Total HK$'000
Year ended 31 December 2018			
Timing of revenue recognition:			
– at a point in time	83,925	–	83,925
– over time	–	994	994
	83,925	994	84,919

5. REVENUE AND OTHER INCOME AND GAINS (Continued)

	Sales of properties HK$'000	Property management income HK$'000	Total HK$'000
Year ended 31 December 2017			
Timing of revenue recognition:			
– at a point in time	31,420	–	31,420
– over time	–	807	807
	31,420	807	32,227

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2018 HK$'000	2017 HK$'000
Finance charges on obligations under finance leases	**29**	39

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after (crediting)/charging:

	2018 HK$'000	2017 HK$'000
Cost of properties sold	**58,952**	28,281
Depreciation *(note 12)*	**3,075**	3,081
Minimum lease payments under operating leases on land and buildings	**3,329**	3,241
Auditor's remuneration	**950**	947
Staff costs (including directors' remuneration – *note 8*):		
Salaries and wages	**19,077**	17,451
Pension scheme contributions	**1,546**	1,592
	20,623	19,043
Direct operating expenses arising from investment properties that generated rental income	**294**	270
(Gain)/loss on disposal of property, plant and equipment	**(7)**	61

8. INFORMATION ABOUT THE BENEFITS OF DIRECTORS

The following disclosures are presented pursuant to section 383 of the Hong Kong Companies Ordinance.

(i) Directors' remuneration

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance is as follows:

	2018 HK$'000	2017 HK$'000
Fees	750	750
Other emoluments:		
Salaries, allowances and benefits in kind	1,154	1,314
Pension scheme contributions	18	18
	1,172	1,332
	1,922	2,082

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the consolidated financial statements.

(a) ***Independent non-executive directors***

The remuneration paid/payable to independent non-executive directors during the year is as follows:

	Fees HK$'000	Total remuneration HK$'000
2018		
Mr. Cheng Hong Kei	150	150
Mr. Leung Kwan, Hermann	150	150
Mr. Lum Pak Sum	150	150
	450	450

8. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

(i) Directors' remuneration (Continued)

(a) *Independent non-executive directors (Continued)*

	Fees HK$'000	Total remuneration HK$'000
2017		
Mr. Cheng Hong Kei	150	150
Mr. Leung Kwan, Hermann	150	150
Mr. Lum Pak Sum	150	150
	450	450

(b) *Executive directors and the chief executive officer*

	Fees HK$'000	**Salaries, allowances and benefits in kind** HK$'000	**Pension scheme contributions** HK$'000	**Total remuneration** HK$'000
2018				
Executive directors:				
Ms. Huang Wenxi				
(Chief Executive Officer)	**150**	**1,154**	**18**	**1,322**
Mr. Huang Shih Tsai				
(Chairman)	**150**	**–**	**–**	**150**
	300	**1,154**	**18**	**1,472**
2017				
Executive directors:				
Ms. Huang Wenxi				
(Chief Executive Officer)	150	1,314	18	1,482
Mr. Huang Shih Tsai				
(Chairman)	150	–	–	150
	300	1,314	18	1,632

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: nil). In addition, no remuneration was paid by the Group to the directors as an inducement to join, or upon joining the Group, or as a compensation for loss of office (2017: nil).

8. INFORMATION ABOUT THE BENEFITS OF DIRECTORS (Continued)

(ii) Loans, quasi-loans and other dealings in favour of directors

There are no loans, quasi-loans or other dealings in favour of the directors of the Company or their connected entities that were entered into or subsisted during the year (2017: nil).

(iii) Directors' material interests in transactions, arrangements or contracts

After consideration, the directors are of the opinion that the following transactions, arrangements and contracts, which are entered into by the Company and in which a director of the Company or connected entity of the directors had a material interest, whether directly or indirectly, are significant in relation to the Company's business and subsisted at the end of the year or at any time during the year.

2018

Contractual parties in addition to the Company	Name of director	Principal terms
大中華國際集團（中國）有限公司 ("GCI")	Mr. Huang Shih Tsai	Rental and management fee of office of HK$3,429,000 *(Note (i))*

2017

Contractual parties in addition to the Company	Name of director	Principal terms
GCI	Mr. Huang Shih Tsai	Rental and management fee of office of HK$3,265,000 *(Note (i))*
GCI	Mr. Huang Shih Tsai	Rental of car park space of HK$18,000 *(Note (ii))*

(i) The Group leased an office property from GCI for a term of two years commencing from 1 May 2015 to 30 April 2017 at a total monthly rental and management fee of RMB243,540 and the Group renewed the lease for a term of two year commencing 1 May 2017 to 30 April 2019 at a total monthly rental and management fee of RMB240,780 on 28 April 2017. GCI is indirectly wholly-owned by Mr. Huang Shih Tsai, the Chairman and a substantial shareholder of the Company. Mr. Huang is also a director of GCI. The related party transactions above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) During the year ended 31 December 2017, the Group leased a car park space from GCI at a monthly rental of RMB1,300.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2017: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2017: four) highest paid employees who are not directors of the Company are as follows:

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	4,077	2,914
Pension scheme contributions	48	83
	4,125	2,997

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2018	2017
Nil to HK$1,000,000	2	4
HK$1,000,001 to HK$1,500,000	2	–
	4	4

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group incurred a loss for taxation purposes during the years ended 31 December 2018 and 2017. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries/jurisdiction in which the Group operates.

PRC Enterprise Income Tax ("EIT") has been provided for the year based on the estimated assessable profits in accordance with the relevant tax laws applicable to the Group in the PRC. The statutory EIT rate is 25% for the year (2017: 25%).

The PRC LAT was provided in accordance with the requirements set forth in the relevant PRC laws and regulations. LAT has been provided at ranges of progressive rates of the appreciation value, with certain allowable deductions.

	2018 HK$'000	2017 HK$'000
Deferred tax credited to profit or loss *(note 28)*	1,506	2,051
EIT in the PRC	(1,312)	(2,035)
LAT in the PRC	(2,287)	(628)
Total tax expense for the year	(2,093)	(612)

10. INCOME TAX EXPENSE (Continued)

A reconciliation of the tax expense to profit/(loss) before tax at the statutory rates of the countries/jurisdiction in which the Company and the majority of its subsidiaries are domiciled is as follows:

	2018 HK$'000	2017 HK$'000
Profit/(loss) before tax	43,805	(74,262)
Tax at the statutory tax rate applicable to profits in respective countries	7,247	(14,196)
Income not subject to tax	(7,956)	(420)
Expenses not deductible for tax	295	8,204
Tax effect of temporary differences	(1,506)	(2,051)
Tax losses not recognised	3,530	8,097
LAT	2,287	628
Utilisation of previously unrecognised tax losses	(1,240)	–
Others	(564)	350
Income tax expense	2,093	612

11. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted profit/(loss) per share is based on the following data:

	2018	2017
Profit/(loss) for the year attributable to owners of the Company *(HK$ million)*	41.71	(74.87)
Weighted average number of ordinary shares *(Million)*	3,312.7	3,312.7
Basic and diluted profit/(loss) per share *(HK cents per share)*	1.26	(2.26)

Diluted profit/(loss) per share is same as the basic profit/(loss) per share as there were no potential dilutive ordinary shares outstanding during year ended 31 December 2018 and the effect of potential ordinary shares was anti-dilutive during year ended 31 December 2017, respectively.

The Company's share options have no dilutive effect for the years ended 31 December 2018 and 2017 because the exercise prices of the Company's share options were higher than the average market price of the Company's shares for both years.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Buildings under construction HK$'000	Total HK$'000
2018							
At 1 January 2018, net of accumulated depreciation	2,403	65	707	1,854	1,543	160,990	167,562
Additions	–	–	62	536	–	15,885	16,483
Depreciation	(1,452)	(5)	(340)	(668)	(610)	–	(3,075)
Disposals	–	–	(18)	(2)	–	–	(20)
Exchange realignment	(89)	(4)	(32)	(88)	(8)	(9,937)	(10,158)
At 31 December 2018, net of accumulated depreciation	862	56	379	1,632	925	166,938	170,792
At 31 December 2018:							
Cost	7,550	512	1,890	5,158	3,362	166,938	185,410
Accumulated depreciation	(6,688)	(456)	(1,511)	(3,526)	(2,437)	–	(14,618)
Net carrying amount	862	56	379	1,632	925	166,938	170,792

	Leasehold improvements HK$'000	Machinery HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Buildings under construction HK$'000	Total HK$'000
2017							
At 1 January 2017, net of accumulated depreciation	3,633	83	888	2,144	481	86,480	93,709
Additions	–	–	110	364	1,660	68,013	70,147
Depreciation	(1,443)	(22)	(306)	(707)	(603)	–	(3,081)
Disposals	–	(1)	(45)	(91)	(8)	–	(145)
Exchange realignment	213	5	60	144	13	6,497	6,932
At 31 December 2017, net of accumulated depreciation	2,403	65	707	1,854	1,543	160,990	167,562
At 31 December 2017:							
Cost	8,046	519	2,050	4,996	4,134	160,990	180,735
Accumulated depreciation	(5,643)	(454)	(1,343)	(3,142)	(2,591)	–	(13,173)
Net carrying amount	2,403	65	707	1,854	1,543	160,990	167,562

At 31 December 2018, the carrying amounts of the Group's motor vehicles held under finance leases amounted to HK$808,000 (2017: HK$1,306,000).

13. INVESTMENT PROPERTIES

	2018		
	Completed investment properties at fair value HK$'000	**Investment properties under construction at cost HK$'000**	**Total HK$'000**
Carrying amount at 1 January	**227,166**	**15,745**	**242,911**
Exchange realignment	**(14,028)**	**(972)**	**(15,000)**
Carrying amount at 31 December	**213,138**	**14,773**	**227,911**

	2017		
	Completed investment properties at fair value HK$'000	Investment properties under construction at cost HK$'000	Total HK$'000
Carrying amount at 1 January	210,276	14,645	224,921
Changes in fair value	1,092	–	1,092
Exchange realignment	15,798	1,100	16,898
Carrying amount at 31 December	227,166	15,745	242,911

The directors of the Company have determined that the completed investment properties are held to earn rental income and/or for capital appreciation. The Group's completed investment properties were valued as at the end of the reporting period by Roma Appraisals Limited, independent professionally qualified valuer, at HK$213,138,000 (2017: HK$227,166,000). Each year, the executive directors decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

13. INVESTMENT PROPERTIES (Continued)

Investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed. The Group has concluded that the fair value of these investment properties under construction cannot be measured reliably and were therefore measured at cost in the consolidated statement of financial position.

The completed investment properties are leased to third parties under operating leases, further details of which are included in note 31(a) to the consolidated financial statements.

Further particulars of the Group's investment properties are included on page 119.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's completed investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active market (Level 1) HK$'000	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Recurring fair value measurement for:				
Commercial properties	**–**	**–**	**213,138**	**213,138**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active market (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Commercial properties	–	–	227,166	227,166

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The fair value is estimated using a direct comparison approach. Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

13. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy (Continued)

The valuation takes into account the characteristics of the investment properties, which include the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the unit market price. The fair value measurement is based on the above properties' highest and best use, which does not differ from the current use.

The following table gives information about how the fair values of the completed 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 (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. There has been no change from the valuation technique used in the prior year.

	Fair value at 31 December 2017 HK$'000	Fair value at 31 December 2018 HK$'000	Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties in Huizhou	142,828	**134,013**	Level 3	Direct comparison method – based on estimated market price per square meter, using market unobservable comparable prices of similar properties ranging from RMB12,900/sq.m. to RMB13,100/sq.m. (equivalent to HK$14,688/sq.m. to HK$14,916/sq.m. (2017: from RMB12,700/sq.m. to RMB15,100/sq.m. (equivalent to HK$15,407/sq.m. to HK$18,386/sq.m.)), and adjusted taking into account locations and other individual factors such as size of property and conditions of properties.	The higher the estimated market price, the higher the fair value.
Investment properties in Haifeng County	84,338	**79,125**	Level 3	Direct comparison method – based on estimated market price per square meter, using market unobservable comparable prices of similar properties ranging from RMB16,300/sq.m. to RMB17,000/sq.m. (equivalent to HK$18,559/sq.m. to HK$19,356/sq.m. (2017: from RMB13,000/sq.m. to RMB14,000/sq.m. (equivalent to HK$15,775/sq.m. to HK$16,989/sq.m.)), and adjusted taking into account locations and other individual factors such as road frontage, size of property and conditions of properties.	The higher the estimated market price, the higher the fair value.

The key unobservable input is the estimated market price per square meter. A significant increase/decrease in the estimated market price will result in a significant increase/decrease in the fair value of the completed investment properties.

14. GOODWILL

	Gold Coast CGU HK$'000 (Note 14a)	Shanwei CGU HK$'000 (Note 14b)	Total HK$'000
2018			
Cost at 1 January 2018, net of accumulated impairment	–	218,470	218,470
Exchange realignment	–	(13,484)	(13,484)
Net carrying amount at 31 December 2018	–	204,986	204,986
At 31 December 2018			
Cost	13,654	204,986	218,640
Accumulated impairment	(13,654)	–	(13,654)
Net carrying amount	–	204,986	204,986
2017			
Cost at 1 January 2017, net of accumulated impairment	–	203,203	203,203
Exchange realignment	–	15,267	15,267
Net carrying amount at 31 December 2017	–	218,470	218,470
At 31 December 2017			
Cost	14,552	218,470	233,022
Accumulated impairment	(14,552)	–	(14,552)
Net carrying amount	–	218,470	218,470

14. GOODWILL (Continued)

Impairment testing of goodwill

14(a) Goodwill arising from the acquisition of 100% equity interests in Gold Coast Tourism Development Limited and its wholly-owned subsidiary involving 海豐金麗灣度假村有限公司 (the "Gold Coast CGU") in property development and investment businesses in February 2009 was fully impaired during the year ended 31 December 2011.

14(b) Goodwill arising from the acquisition of 100% equity interests in Prime Rosy Limited and its wholly-owned subsidiary comprising 汕尾大中華國際實業有限公司 with cash-generating units of Hong Hai Bay Project and Jin Bao Cheng Project (the "Shanwei CGU") in October 2013 in property development and investment businesses is subject for the impairment test.

At 31 December 2018, the Group assessed the recoverable amount of the Hong Hai Bay Project and Jin Bao Cheng Project with reference to value in use calculations using cash flow projections based on financial budgets and forecasts covering a five-year period and the expected development project period approved by senior management. The post-tax discount rates applied to the cash flow projection are 13.4% (2017: 13.4%) and 13.4% (2017: 13.4%), respectively. The implied pre-tax discount rates for the cash flow projection are 17.9% (2017: 20.9%) and 29.3% (2017: 32.3%), respectively. An independent professionally qualified valuer, Roma Appraisals Limited, was engaged to assist the Group in determining the estimated value in use.

Key assumptions used in the cash flow projections to undertake impairment testing of the goodwill allocated to Shanwei CGU are as follows:

Budgeted gross margins – the budgeted gross margins of 31.2% and 35.0% (2017: 28.5% and 43.1%) based on the average gross margins expected to achieve from the development of Hong Hai Bay Project and Jin Bao Cheng Project, respectively.

Discount rates – the discount rates used are before tax and reflect specific risks relating to the Shanwei CGU.

The values assigned to key assumptions are consistent with external information sources.

The Group believes that any reasonably possible change in any of these assumptions on which recoverable amount is based would not cause the aggregate carrying amount of the Shanwei CGU to exceed its aggregate recoverable mount. Accordingly, no impairment of goodwill of Shanwei CGU was recognised during years ended 31 December 2018 and 2017.

15. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name of subsidiary	Country/place of incorporation and operation	Particulars of issued and paid-up share capital/paid-up capital	Percentage of equity attributable to the Company Directly %	Percentage of equity attributable to the Company Indirectly %	Principal activities
Mega Top Capital Resources Limited	Hong Kong	HK$1	100	–	Property investment
China Waytung Group Limited	Hong Kong	HK$1	100	–	Investment holding
Gold Coast Tourism Development Limited	Hong Kong	HK$10,000	–	100	Investment holding
海豐金麗灣度假村有限公司# *(Note (i))*	The PRC	Paid-up capital of US$10,549,929	–	100	Operation of resort business, property development
滙通天下控股(中國)有限公司# *(Note (i))*	The PRC	Paid-up capital of RMB50,000,000	100	–	Investment holding
Asiatic Talent Limited#	British Virgin Islands ("BVI")	US$1	100	–	Investment holding
Guo Rong Limited#	BVI	US$1	–	100	Investment holding
Great China Property Group Limited	Hong Kong	HK$1	–	100	Investment holding
大中華實業(惠州)有限公司# *(Note (i))*	The PRC	Paid-up capital of RMB45,000,000	–	100	Property development
Great China Hotel Management Limited	Hong Kong	HK$1	100	–	Investment holding

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Country/place of incorporation and operation	Particulars of issued and paid-up share capital/paid-up capital	Percentage of equity attributable to the Company Directly %	Percentage of equity attributable to the Company Indirectly %	Principal activities
Great China Properties (Shanghai) Limited	Hong Kong	HK$1	100	–	Investment holding
Stand Gold Limited	BVI	US$1	100	–	Investment holding
Prime Rosy Limited	BVI	US$1	–	100	Investment holding
Great China International Holding Group Limited	Hong Kong	HK$30,000,000	–	100	Investment holding
汕尾大中華國際實業有限公司#	The PRC	Paid-up capital of RMB50,000,000	–	100	Property development
汕尾市大中華實業有限公司#	The PRC	Paid-up capital of RMB10,000,000	–	100	Property development
唐山市曹妃甸區中泰信和房地開發有限公司# *(Note (ii))*	The PRC	Paid-up capital of RMB10,000,000	–	99.99	Investment holding
惠州喜悅生活物業管理有限公司# *(Note (i))*	The PRC	Paid-up capital of RMB500,000	–	100	Provision of management service to and operation of properties
YL Capital Partners Limited	Hong Kong	HK$1,250,000	–	100	Securities advisory and asset management services (not yet commenced)

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Notes:

(i) Registered under the laws of the PRC as wholly-owned foreign enterprise.

(ii) Registered under the laws of the PRC as domestic enterprise.

16. INTERESTS IN ASSOCIATES

	Note	2018 HK$'000	2017 HK$'000
Share of net assets		–	–
Loans to an associate, net	(i)	135,023	143,905
		135,023	143,905

Note:

(i) The loans to an associate, net are unsecured, non-interest bearing and the settlement of which are neither planned nor likely to occur in the foreseeable future.

Particulars of the associates are as follows:

Name	Country/place of incorporation and operation	Particulars of issued and paid-up share capital/paid-up capital	Percentage of equity attributable to the Company Directly %	Percentage of equity attributable to the Company Indirectly %	Principal activities
Success Yield Group Limited ("Success Yield")#	BVI	US$200	50	–	Investment holding
Champion Delight Holdings Limited ("Champion Delight")#^	Hong Kong	HK$1	–	50	Investment holding
上海合茂房地產發展有限公司(上海合茂)#^	The PRC	Paid up capital of RMB630,000,000	–	50	Property development

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^ Being a wholly-owned subsidiary of Success Yield.

All of above associates are private companies and there is no quoted market price available for the investments.

According to the cooperation agreement dated 16 December 2013 entered into between the Group and Greenland Hong Kong Holdings Limited ("Greenland") (the "Agreement"), the Group and Greenland are each to provide shareholders' loans to Champion Delight, the wholly-owned subsidiary of Success Yield, for the joint development of a real estate project by 上海合茂 which is wholly-owned by Champion Delight. Success Yield is owned 50% each by the Group and Greenland.

16. INTERESTS IN ASSOCIATES (Continued)

Pursuant to the loan contribution schedule in the Agreement, the Group was to make shareholder's loans of RMB314,922,000 (equivalent to HK$358,570,000) to Champion Delight by April 2014. However, due to a disagreement over the execution and operation of the real estate project, the Group claimed that Greenland was in breach of the Agreement so it has only made aggregate loans of RMB123,922,000 (equivalent to HK$141,098,000) (2017: HK$150,379,000) as at 31 December 2018, net of an impairment loss of RMB5,335,000 (equivalent to HK$6,075,000) (2017: HK$6,474,000) provided in prior year; while Greenland also alleged that the Group has breached the Agreement by not making the loans according to the schedule stipulated in the Agreement.

As at 31 December 2018, Greenland had unilaterally made additional loans of RMB191,000,000 (equivalent to HK$217,473,000) which was originally payable by the Group to Champion Delight and claimed its alleged right under the Agreement to dilute the Group's shareholding in Success Yield according to the contributed loan balances. However, up to the date of this report, Greenland has not taken any steps to dilute the shareholding of the Group in Success Yield.

In the opinion of the directors, pending the resolution of the aforesaid disagreement, the Group is not obligated to make further loans to Champion Delight at present stage according to the Agreement. Accordingly, the amount of outstanding loan commitment of RMB191,000,000 (equivalent to HK$217,473,000) is disclosed as a commitment of the Group (note 32).

Pursuant to the Agreement, although the Group holds 50% equity interest of Success Yield, Greenland has the power and the ability to use its power to affect Success Yield's returns. Since the Group does not have joint control over Success Yield, it is accounted for by the Group as investments in associates. The following table illustrates the summarised financial information of Success Yield and its subsidiaries (collectively known as "Success Yield Group") adjusted for any differences in accounting policies and reconciled to the carrying amounts in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Current assets	**1,998,633**	1,421,934
Non-current assets	**22**	42
Current liabilities	**(1,552,613)**	(1,458,706)
Non-current liabilities	**(478,212)**	(24,270)
Net liabilities	**(32,170)**	(61,000)

16. INTERESTS IN ASSOCIATES (Continued)

	2018 HK$'000	2017 HK$'000
Revenue	238,615	–
Profit/(loss) for the year	26,122	(18,361)
Other comprehensive income/(loss)	2,708	(3,681)
Total comprehensive income/(loss) for the year	28,830	(22,042)

Unrecognised share of profit/losses of associates

The unrecognised share of profit of associates for the current year and cumulative losses up to the end of the reporting period amounted to HK$14,415,000 (2017: losses of HK$11,021,000) and HK$16,086,000 (2017: HK$30,501,000) respectively.

17. PROPERTIES UNDER DEVELOPMENT

Further particulars of the Group's properties under development are included in "Particulars of Major Properties" on pages 119 to 120.

18. PROPERTIES HELD FOR SALE

	2018 HK$'000	2017 HK$'000
Completed properties held for sale	118,925	83,422
Properties held for sale under development	608,872	670,405
	727,797	753,827
Properties held for sale under development expected to be recovered:		
– After one year	608,872	670,405

19. TRADE RECEIVABLES

Trade receivables mainly represent sale proceeds in respect of sold properties and property management fee receivables. Sale proceeds in respect of sold properties are payable by the purchasers pursuant to the terms of sale and purchase agreements. Rental in respect of leased properties is payable in advance by the tenants pursuant to the terms of the tenancy agreements. Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a certain number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing and unsecured. The carrying amounts of the trade receivables approximate to their fair values.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	HK$'000
Within 30 days	**66**	26
31 to 60 days	**5**	22
61 to 90 days	**7**	17
Over 90 days	**303**	505
	381	570

The amount of trade receivables that were past due but not impaired is the same as the above ageing analysis of trade receivables.

Receivables that were past due but not impaired relate to a number of diversified customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment 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.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9. To measure ECL, trade receivables have been grouped based on shared credit risk characteristics which is the days past due. Expected loss rate of the overall trade receivables is assessed to be 0.1%. Based on evaluation on expected loss rate and gross carrying amount, the directors of the Company are of the opinion that the ECL in respect of these balances is considered immaterial and therefore there has not been a provision of loss allowance.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Prepayments	9,238	9,356
Deposits paid	108	323
Other receivables	8,985	10,905
	18,331	20,584
Less: Provisions for impairment of other receivables	(1,448)	(1,544)
	16,883	19,040
Less: Non-current portion	–	(66)
	16,883	18,974

Prepayments, deposits and other receivables are non-interest-bearing, unsecured and repayable within one year, except for a balance of HK$2,733,000 (2017: HK$2,912,000) included in other receivables which is interest-bearing at an interest rate in the corresponding period as published by the People's Bank of China.

The movements in the provision for impairment of other receivables are as follows:

	2018 HK$'000	2017 HK$'000
At beginning of year	1,544	1,436
Exchange realignment	(96)	108
At end of year	1,448	1,544

The provision for impairment of other receivables represents a provision for individually impaired other receivable of HK$1,448,000 (2017: HK$1,544,000) with an aggregate carrying amount of HK$1,448,000 (2017: HK$1,544,000). The individually impaired other receivables relate to a third party with outstanding balances which are not expected to be recovered.

21. EQUITY INVESTMENTS AT FVPL

	2018 HK$'000	2017 HK$'000
Listed equity investments in Hong Kong, at market value	15	15

The above equity investments were mandatorily measured at FVPL as at 31 December 2018 (2017: designated as financial assets at FVPL).

22. CASH AND CASH EQUIVALENTS

	Note	2018 HK$'000	2017 HK$'000
Cash and bank balances		12,802	24,471
Less: Pledged bank balances	*(i)*	(4,466)	(3,124)
Restricted bank balances	*(ii)*	(4,557)	(12,643)
Total cash and cash equivalents (as stated in consolidated statement of cash flows)		3,779	8,704

Notes:

(i) As at 31 December 2018 and 2017, certain bank balances were pledged for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

(ii) Restricted bank balances mainly comprise guaranteed funds to construction projects to meet local authorities' requirements.

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi amounted to HK$12,270,000 (2017: HK$24,223,000). Renminbi is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Cash and bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An ageing analysis of the trade creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	**25**	107
31 to 60 days	**581**	637
61 to 90 days	**1,531**	6
Over 90 days	**20,597**	20,388
	22,734	21,138

24. OTHER PAYABLES AND ACCRUALS

	Note	2018 HK$'000	2017 HK$'000
Deposits received		**8,360**	8,142
Contract liabilities	*24(a)*	**62,385**	86,180
Other taxes payables		**17,288**	17,324
Other payables and accruals		**20,755**	21,563
		108,788	133,209

24(a) The Group recognised the HKFRS 15 revenue-related contract liabilities as the Group receives payments from customers based on billing schedules as established in the property sale contracts. Payments are usually received in advance of the performance of the contracts which is mainly the sales of properties.

The revenue recognised related to carried-forward contract liabilities during the year is as follows:

	2018 HK$'000	2017 HK$'000
Revenue recognised that was included in the contract liability:		
Sales of properties	**81,557**	31,420

24. OTHER PAYABLES AND ACCRUALS (Continued)

As at 31 December 2018, the transaction price allocated to the performance obligations that are unsatisfied related to sales of properties is as follow:

	2018 HK$'000	2017 HK$'000
Expected to be satisfied within one year	62,385	81,557
Expected to be satisfied more than one year	–	4,623
	62,385	86,180

25. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, non-interest bearing, and repayable on demand. Related companies represent companies in which Mr. Huang Shih Tsai, a substantial shareholder, has equity interests and/or directorships and over which Mr. Huang Shih Tsai is able to exercise control. The amounts represent advances to the Group for its working capital requirements.

26. AMOUNTS DUE TO SUBSTANTIAL SHAREHOLDERS

The amounts due to substantial shareholders are unsecured, non-interest bearing and repayable on demand. The amounts represent advances to the Group for its working capital requirements.

27. OBLIGATIONS UNDER FINANCE LEASES

At the end of the reporting period, the Group leased certain motor vehicles under finance leases. The average lease term is 3 years.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**527**	550	**517**	521
In the second to fifth years inclusive	**23**	549	**23**	540
	550	1,099	**540**	1,061
Future finance charges	**(10)**	(38)	**–**	–
Present value of lease obligations	**540**	1,061	**540**	1,061
Less: Amounts due for settlement within 12 months			**(517)**	(521)
Amounts due for settlement after 12 months			**23**	540

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

28. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Deferred tax liabilities

	Investment properties HK$'000	Properties held for sale HK$'000	Properties under development HK$'000	Total HK$'000
At 1 January 2017	36,720	67,680	66,792	171,192
Deferred tax credited to profit or loss during the year *(note 10)*	–	(2,051)	–	(2,051)
Exchange realignment	2,759	5,001	5,018	12,778
At 31 December 2017 and 1 January 2018	39,479	70,630	71,810	181,919
Deferred tax credited to profit or loss during the year *(note 10)*	–	(1,506)	–	(1,506)
Exchange realignment	(2,438)	(4,298)	(4,432)	(11,168)
At 31 December 2018	**37,041**	**64,826**	**67,378**	**169,245**

At the end of the reporting period, the Group had unrecognised tax losses of HK$118,244,000 (2017: HK$124,394,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Included in these tax losses, tax losses of HK$31,146,000 (2017: HK$25,612,000) arising in Hong Kong have no expiry date under current tax legislation, and tax losses of subsidiaries in the PRC has an utilisation period of five years as pre-determined by the tax legislation of the PRC. At the end of the reporting period, the Group had the following tax losses arising in the PRC that can be offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the year in which the tax loss was incurred:

	2018 HK$'000	2017 HK$'000
Year of expiry		
2018	**–**	15,677
2019	**15,729**	18,386
2020	**12,426**	14,822
2021	**21,713**	23,724
2022	**24,557**	26,173
2023	**12,673**	–
	87,098	98,782

28. DEFERRED TAX LIABILITIES (Continued)

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2018, there was no unremitted earnings of the Group's subsidiaries established in the PRC (2017: nil). There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders

29. SHARE CAPITAL

	2018 **HK$'000**	2017 HK$'000
Issued and fully paid:		
3,312,698,406 (2017: 3,312,698,406) ordinary shares	**905,676**	905,676

A summary of movements in the Company's issued share capital is as follows:

	Number of shares in issue '000	**Issued capital** HK$'000	**Capital reduction reserve** HK$'000	**Total** HK$'000
At 1 January 2017	3,312,698	905,676	265,505	1,171,181
At 31 December 2017 and 31 December 2018	3,312,698	905,676	265,505	1,171,181

30. SHARE OPTION SCHEME

The Company adopted a share option scheme on 23 May 2011 (the "2011 Share Option Scheme").

The purpose of the 2011 Share Option Scheme is to reward participants who have contributed to the Group and to encourage participants to work towards enhancing the value of the Company and the shares for the benefit of the Company and the shareholders as a whole. The board of directors of the Company may, at its sole discretion, invite directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group to take up options to subscribe for shares in the Company. The participants need to remit HK$1 as consideration for the grant of an option.

The 2011 Share Option Scheme is adopted for a period of 10 years commencing on 23 May 2011. The option period shall not exceed 10 years from the date of grant of option.

The maximum number of shares which may be granted under the 2011 Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2011 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any 12-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained. Options granted to a substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the total number of shares in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the board of directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the 2011 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time.

30. SHARE OPTION SCHEME (Continued)

Details of the share options granted by the Company under the 2011 Share Option Scheme are as follows:

Date of grant	Exercisable period	Number of share options granted	Exercise price HK$	Fair value at grant date HK$
23 January 2013	23 January 2015 to 22 January 2023	10,000,000	0.44	0.292

The fair value of the share options granted was HK$0.292 per option and the Group recognised a share-based payment expense of approximately HK$Nil for the year ended 31 December 2018 (2017: HK$Nil).

The fair value of the share options granted at the date of grant was calculated using the Black-Scholes Option Pricing Model. The inputs into the model were as follows:

Expected volatility	:	58.690%
Risk-free rate	:	0.975%
Expected life of option	:	8 years

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the share options granted was incorporate into measurement of the fair value.

30. SHARE OPTION SCHEME (Continued)

Details of the movement of the Company's share options are as follows:

Name of participant	Date of grant	Exercise price per share HK$	Exercisable period	Number of shares in respect of options: Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2018
2018								
Directors:								
Huang Shih Tsai	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Huang Wenxi	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Cheng Hong Kei	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Leung Kwan, Hermann	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Lum Pak Sum	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Subtotal				5,000,000	–	–	–	5,000,000
Employees:								
In aggregate	23/1/2013	0.44	23/1/2015 - 22/1/2023	500,000	–	–	–	500,000
Total				5,500,000	–	–	–	5,500,000

30. SHARE OPTION SCHEME (Continued)

				Number of shares in respect of options				
Name of participant	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1 January 2017	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2017
2017								
Directors:								
Huang Shih Tsai	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Huang Wenxi	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Cheng Hong Kei	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Leung Kwan, Hermann	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Lum Pak Sum	23/1/2013	0.44	23/1/2015 - 22/1/2023	1,000,000	–	–	–	1,000,000
Subtotal				5,000,000	–	–	–	5,000,000
Employees:								
In aggregate	23/1/2013	0.44	23/1/2015 - 22/1/2023	500,000	–	–	–	500,000
Total				5,500,000	–	–	–	5,500,000

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases out its investment properties under operating leases with average lease terms ranging from 3 to 10 years (2017: 3 to 10 years). The terms of the leases also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	3,352	2,185
In the second to fifth years, inclusive	12,946	7,612
After five years	5,209	1,012
	21,507	10,809

(b) As lessee

The Group leases certain of its offices, apartments and car parks under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 50 years.

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	1,044	3,091
In the second to fifth years, inclusive	496	1,505
After five years	5,647	6,154
	7,187	10,750

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following capital commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for:		
Construction and development of properties	375,298	390,888
Loan contributions payable to an associate	217,473	231,779
	592,771	622,667

33. CONTINGENT LIABILITIES

As at 31 December 2018, the Group has given guarantees of HK$3,050,000 (2017: HK$3,251,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties for a period from the date the loans are granted to the purchasers up to the date of issuance of property title certificates to the purchasers.

The fair value of the guarantees is not significant and the directors of the Company consider that, in case of default in payments by the purchasers, the net realisable value of the related properties will be sufficient to cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties and therefore the guarantees have not been recognised in the consolidated financial statements for the years ended 31 December 2018 and 2017.

34. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel, other than amounts paid/payable to the Company's directors, of the Group:

	2018 HK$'000	2017 HK$'000
Salaries and allowances	1,454	1,614
Pension scheme contributions	18	18
Total compensation paid to key management personnel	1,472	1,632

Further details of directors' emoluments are included in note 8 to the consolidated financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Financial assets at amortised cost HK$'000	Financial assets at FVPL HK$'000	Total HK$'000
2018			
Financial assets			
Trade receivables	381	–	381
Financial assets included in prepayments, deposits and other receivables* *(note 20)*	7,645	–	7,645
Equity investments at FVPL	–	15	15
Cash and bank balances	12,802	–	12,802
	20,828	15	20,843

35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Measurement category and carrying amount under HKAS 39		
	Loans and receivables HK$'000	Financial assets at FVPL HK$'000	Total HK$'000
2017			
Financial assets			
Trade receivables	570	–	570
Financial assets included in prepayments, deposits and other receivables* *(note 20)*	9,684	–	9,684
Equity investments at FVPL	–	15	15
Cash and bank balances	24,471	–	24,471
	34,725	15	34,740

* Excluding prepayments

	Financial liabilities at amortised cost	
	2018 HK$'000	2017 HK$'000
Financial liabilities		
Trade payables	**22,734**	21,138
Financial liabilities included in other payables and accruals* *(note 24)*	**38,043**	38,887
Obligations under finance leases	**540**	1,061
Amounts due to related companies	**139,061**	146,727
Amounts due to substantial shareholders	**767,495**	759,979
	967,873	967,792

* Excluding contract liabilities and deposit received that are not financial liabilities

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Equity investments at FVPL	**15**	15	**15**	15

Management has assessed that the fair values of trade receivables, financial assets included in prepayments, deposits and other receivables, cash and bank balances, trade payables, the amounts due to related companies and substantial shareholders, financial liabilities included in other payables and accruals and obligations under finance leases approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018				
Equity investment at FVPL	**15**	**–**	**–**	**15**
As at 31 December 2017				
Equity investment at FVPL	15	–	–	15

The Group did not have any financial liabilities measured at fair value as at 31 December 2018 and 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: nil).

37. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2017, the Group entered into finance lease arrangements in respect of certain property, plant and equipment with a total capital value at the inception of the leases of approximately HK$1,481,000.

(b) Reconciliation of liabilities arising from financing activities

The movements during the years in the Group's liabilities arising from financing activities are as follows:

	At 1 January 2018 HK$'000	Net cash flow HK$'000	Non-cash changes: Addition HK$'000	Non-cash changes: Foreign exchange movement HK$'000	At 31 December 2018 HK$'000
Year ended 31 December 2018					
Amounts due to substantial shareholders	**759,979**	**51,713**	**–**	**(44,197)**	**767,495**
Amounts due to related companies	**146,727**	**1,390**	**–**	**(9,050)**	**139,067**
Obligations under finance leases	**1,061**	**(521)**	**–**	**–**	**540**
	907,767	**52,582**	**–**	**(53,247)**	**907,102**

	At 1 January 2017 HK$'000	Net cash flow HK$'000	Non-cash changes: Addition HK$'000	Non-cash changes: Foreign exchange movement HK$'000	At 31 December 2017 HK$'000
Year ended 31 December 2017					
Amounts due to substantial shareholders	482,900	243,626	–	33,453	759,979
Amounts due to related companies	137,363	(957)	–	10,321	146,727
Obligations under finance leases	–	(420)	1,481	–	1,061
	620,263	242,249	1,481	43,774	907,767

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise obligations under finance leases, amounts due to related companies and substantial shareholders and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The majority of the subsidiaries of the Group are operated in the PRC and most of their transactions are denominated in RMB. The exchange rate of RMB against HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group is exposed to foreign currency risk primarily through amounts due to related companies and substantial shareholders that are denominated in currencies other than the functional currency of the group entity/Company. The Group did not have significant exposure to foreign exchange risk arising from daily operating activities of the subsidiaries because their main operations are conducted in their functional currency.

At the end of the reporting period, if the exchange rates of RMB/HK$ had strengthened/weakened by 5% (2017: 5%) with all other variables held constant, the Group's profit (2017: loss) for the year would have been HK$38,141,000 lower/higher (2017: HK$35,841,000 higher/lower).

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes in foreign currency represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments have low credit risk as the directors of the Company consider the credit risk in respect of cash and bank balances is minimal because the counter-parties are authorised financial institution with high credit ratings. In respect of deposits and other receivables, the directors of the Company consider the counter-parties with strong capacity to meet its contractual cash flow obligations in the near term and low risk of default.

In estimating the ECL, the Group has taken into account the historical actual credit loss experience over the past three years and available press information, adjusted for forward-looking factors that are specific to the debtors and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The directors of the Company considers the ECL of these financial assets to be insignificant after taking into account the financial position and credit quality of the counterparties.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the consolidated financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Total carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 1 year or on demand HK$'000	1–2 years HK$'000	2–5 years HK$'000
As at 31 December 2018					
Trade payables	22,734	22,734	22,734	–	–
Other payables and accruals	38,043	38,043	38,043	–	–
Amounts due to related companies *(Note)*	139,061	139,061	139,061	–	–
Amounts due to substantial shareholders *(Note)*	767,495	767,495	767,495	–	–
Obligations under finance leases	540	550	527	23	–
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	3,050	3,050	3,050	–	–
	970,923	970,933	970,910	23	–
As at 31 December 2017					
Trade payables	21,138	21,138	21,138	–	–
Other payables and accruals	38,887	38,887	38,887	–	–
Amounts due to related companies *(Note)*	146,727	146,727	146,727	–	–
Amounts due to substantial shareholders *(Note)*	759,979	759,979	759,979	–	–
Obligations under finance leases	1,061	1,099	550	527	22
Guarantees given to banks in respect of mortgage facilities granted to certain purchasers of the Group's properties	3,251	3,251	3,251	–	–
	971,043	971,081	970,532	527	22

Note: A substantial shareholder has confirmed that he will not demand repayment of the amounts due to him of HK$757,795,000 (2017: HK$755,593,000) and due to companies controlled by him of HK$139,061,000 (2017: HK$146,727,000) until the Group is in a position to do so.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

The Group monitors capital using a gearing ratio calculated on the basis of interest-bearing bank borrowings over total equity. The Group targets to maintain a gearing ratio of 70% or below.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Pursuant to the Hong Kong Companies Ordinance, the statement of financial position of the Company and the movements in its reserves are set out below:

	Notes	**2018 HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*15*	**1,686,872**	1,749,292
		1,686,872	1,749,292
CURRENT ASSETS			
Prepayments, deposits and other receivables		**61**	411
Equity investments at fair value through profit or loss		**15**	15
Cash and bank balances		**218**	45
Total current assets		**294**	471
CURRENT LIABILITIES			
Other payables and accruals		**3,658**	1,782
Amounts due to a subsidiary		**9,549**	9,506
Amounts due to substantial shareholders		**773,771**	766,236
Total current liabilities		**786,978**	777,524
NET CURRENT LIABILITIES		**(786,684)**	(777,053)
Net assets		**900,188**	972,239
EQUITY			
Share capital	*29*	**905,676**	905,676
Reserves	*39(a)*	**(5,488)**	66,563
Total equity		**900,188**	972,239

Approved and authorised for issue by the Board of Directors on 29 March 2019 and signed on its behalf by

Huang Shih Tsai
Director

Huang Wenxi
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(a) Movements of the reserves

	Capital reduction reserve *(Note i)* HK$'000	Share-based payment reserve *(Note ii)* HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	265,505	1,607	(242,509)	24,603
Profit for the year	–	–	41,960	41,960
At 31 December 2017 and 1 January 2018	265,505	1,607	(200,549)	66,563
Loss for the year	–	–	(72,051)	(72,051)
At 31 December 2018	265,505	1,607	(272,600)	(5,488)

Notes:

(i) The capital reduction reserve represents the surplus arising from capital reduction transaction, and the reserve is non-distributable.

(ii) The share-based payment reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in the notes to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULT					
REVENUE	**87,228**	34,251	33,096	12,363	26,127
PROFIT/(LOSS) FOR THE YEAR	**41,712**	(74,874)	(3,492)	(7,241)	(35,194)

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITES					
TOTAL ASSETS	**2,108,466**	2,216,412	1,818,422	1,773,152	1,752,456
TOTAL LIABILITIES	**(1,208,278)**	(1,244,173)	(888,143)	(743,455)	(650,607)
NET ASSETS	**900,188**	972,239	930,279	1,029,697	1,101,849

DISCLOSURES PURSUANT TO SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE (THE "HKCO")

The above financial information relating to the years ended 31 December 2018 and 2017 does not constitute the Company's specified financial statements for those years as defined in section 436 of the HKCO but is derived therefrom.

The Company has delivered the specified financial statements for the year ended 31 December 2017 to the Registrar of Companies and will deliver the specified financial statements for the year ended 31 December 2018 in due course.

Auditor's reports have been prepared on the specified financial statements for both years.

For the years ended 31 December 2018 and 2017, the auditor's reports were not qualified or otherwise modified; did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

PARTICULARS OF MAJOR PROPERTIES

INVESTMENT PROPERTIES

Location	Intended Use	Category of lease term	Group's interest (%)
Jinliwan Resort Complex located in Baian Peninsula, Houmen Town, Haifeng County, Shanwei City, Guangdong Province, The PRC	Commercial use	Medium	100%
Great China Eastern New World Square located at No. 1 Zhongxing Zhong Road, Aotou Town, Daya Bay, Huizhou City, Guangdong Province, The PRC	Commercial use	Medium	100%

PROPERTIES HELD FOR SALE

Location	Intended Use	Category of lease term	Group's interest (%)
Residential units of Block 1 and Block 2 Great China Eastern New World Square located at No. 1 Zhongxing Zhong Road, Aotou Town, Daya Bay, Huizhou City, Guangdong Province, The PRC	Residential use	Medium	100%
Three completed residential blocks and various residential blocks under construction located at Honghai Main road, Shanwei City, Guangdong Province, the PRC	Residential use	Long	100%
Five residential blocks under construction located in Baian Peninsular, Houmen Town, Haifeng County, Shanwei City, Guangdong Province, the PRC	Residential use	Long	100%

PARTICULARS OF MAJOR PROPERTIES

PROPERTIES UNDER DEVELOPMENT

Location	Gross Floor Area (square meter)	Stage of Completion	Lease Expiry	Group's Interest	Anticipated completion
Two land parcels beside the Jinliwan Resort Complex located in Baian Peninsula, Houmen Town, Haifeng County Shanwei City, Guangdong Province, the PRC	87,444	Developing Stage	2052 for commercial use 2082 for residential use	100%	2018
No. 2 Island & No.3 Island inside Tonggang Reservoir of the Seventh Farm, Tanghai County, Tangshan City, Hebei Province, the PRC	189,661	Pending for Stage	2048 for commercial use	99.99%	
A parcels of land located on the eastern side of Wuzishan, Zhelang Nanao Tourist Area; a parcel of land located on Gongqian Nanao Road East, Zhelangjiedao and two parcels of land located in Wantankeng, Zhelangjiedao Nanao Tourist Area, Shanwei City, Guangdong Province, the PRC	273,534	Developing Stage	2054	100%	2019