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

(Incorporated in Hong Kong with limited liabilities)
(Stock Code: 141)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of Great China Holdings Limited (the "**Company**") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**") together with the corresponding comparative figures of last year. The Group's audited consolidated financial statements for the Year have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Hong Kong dollars ("HK$"))

	Note	2018 HK$'000	2017 HK$'000
Revenue	2	**24,349**	22,448
Cost of sales		**(2,486)**	(2,582)
Gross profit		**21,863**	19,866
Other income	4	**1,751**	1,424
Administrative expenses		**(24,208)**	(19,261)
Net valuation (loss)/gain on investment properties		**(3,824)**	59,560
(Loss)/profit from operations		**(4,418)**	61,589
Finance costs		**—**	—
(Loss)/profit before taxation	5	**(4,418)**	61,589
Income tax	6	**(2,278)**	(15,003)
(Loss)/profit for the year attributable to equity shareholders of the Company		**(6,696)**	46,586
(Loss)/earnings per share	7		
— Basic and diluted *(HK cents)*		**(1.94)**	15.08

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in HK$)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018
(Expressed in HK$)

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**544,491**	572,132
Property, plant and equipment		**9,390**	2,740
Trademark		**108**	106
Trade and other receivables, prepayments and deposits	*9*	**6,678**	5,947
Deferred tax assets		**87**	153
		560,754	581,078
Current assets			
Properties held for sale		**6,437**	6,718
Trade and other receivables, prepayments and deposits	*9*	**3,357**	13,633
Tax recoverable		**269**	269
Short-term bank deposits		**81,722**	127,232
Bank balances and cash		**59,038**	11,931
		150,823	159,783

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2018
(Expressed in HK$)

	Note	**2018** **HK$'000**	2017 *HK$'000*
Current liabilities			
Other payables and accrued expenses		**25,987**	24,699
Rental deposits received		**265**	238
Tax payable		**207**	34
		26,459	24,971
Net current assets		**124,364**	134,812
Total assets less current liabilities		**685,118**	715,890
Non-current liabilities			
Other payables and accrued expenses		**1,403**	—
Rental deposits received		**4,050**	4,264
Deferred tax liabilities		**77,938**	80,847
		83,391	85,111
NET ASSETS		**601,727**	630,779
CAPITAL AND RESERVES			
Share capital		**193,246**	193,246
Reserves		**408,481**	437,533
TOTAL EQUITY		**601,727**	630,779

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in HK$)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2018
(Expressed in HK$)

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

NOTES

For the year ended 31 December 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results for the year ended 31 December 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The financial statements for the year ended 31 December 2018 have not been but will be delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The independent auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

1.1 Accounting policies

1.1.1 Changes in accounting policies

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group:

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

HKFRS 9, *Financial instruments*

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

The adoption of HKFRS 9 does not have a significant impact on this financial information.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

1.1 Accounting policies (Continued)

1.1.1 Changes in accounting policies (Continued)

HKFRS 9, *Financial instruments (Continued)*

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

(i) Classification and measurement

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

(ii) Impairment

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

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

HKFRS 15, *Revenue from contracts with customers*

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

(i) Timing of revenue recognition

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

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

1.1 Accounting policies (Continued)

1.1.1 Changes in accounting policies (Continued)

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

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

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

1.1.2 Issued but not yet effective HKFRSs

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

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

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

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

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

1.1 Accounting policies (Continued)

1.1.2 Issued but not yet effective HKFRSs (Continued)

HKFRS 16, *Leases*

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

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

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

2. REVENUE

Revenue represents rental income earned during the year.

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

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

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

3. SEGMENT INFORMATION

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

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

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

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

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

3. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

Information regarding the above segments is reported below.

Segment revenue and results

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

3. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

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

Segment assets and liabilities

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

3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

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

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

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

3. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Automobile business HK$'000	Corporate/ Unallocated HK$'000	Total HK$'000
For the year ended 31 December 2018					
Additions to property, plant and equipment	**36**	**—**	**7,642**	**209**	**7,887**
Amortisation of trademark	**—**	**—**	**—**	**13**	**13**
Depreciation of property, plant and equipment	**282**	**—**	**1**	**665**	**948**
Loss on disposal of property, plant and equipment	**1**	**—**	**—**	**—**	**1**
Net valuation loss on investment properties	**3,824**	**—**	**—**	**—**	**3,824**
Net exchange loss	**1**	**—**	**—**	**778**	**779**
Bank interest income *(note 4)*	**(352)**	**—**	**(13)**	**(1,208)**	**(1,573)**
Other interest income *(note 4)*	**—**	**—**	**—**	**(163)**	**(163)**
Income tax expense *(note 6)*	**2,102**	**110**	**—**	**66**	**2,278**

	Property investment in the PRC *HK$'000*	Trading of properties *HK$'000*	Corporate/ Unallocated *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017				
Additions to property, plant and equipment	32	—	731	763
Amortisation of trademark	—	—	6	6
Depreciation of property, plant and equipment	260	—	501	761
Loss on disposal of property, plant and equipment	48	—	—	48
Net valuation gain on investment properties	(59,560)	—	—	(59,560)
Net exchange gain	(1)	—	(754)	(755)
Bank interest income *(note 4)*	(408)	—	(393)	(801)
Other interest income *(note 4)*	—	—	(613)	(613)
Income tax expense/(credit) *(note 6)*	17,089	(1,786)	(300)	15,003

Geographical information

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

4. OTHER INCOME

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

5. (LOSS)/PROFIT BEFORE TAXATION

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

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

Note:

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

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

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

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

5. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

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

6. INCOME TAX

Income tax represents:

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

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

6. INCOME TAX (CONTINUED)

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

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

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

7. (LOSS)/EARNINGS PER SHARE

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

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

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

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

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

8. DIVIDENDS

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

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

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

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

(a) Trade receivables

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

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

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

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

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

(b) Prepayments, deposits and other receivables

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

Note:

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

10. EVENT AFTER THE REPORTING DATE

On 26 March 2019, the Group entered into sale and purchase agreements to acquire the 11 contiguous double deck shop units within a 2-storey retail building in a private housing estate located in Liaoning Province, the PRC, at a cash consideration of approximately RMB20.4 million (equivalent to HK$23.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Group Review

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

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

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

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

Business Review

Property business

Residential premises

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

Shops and car parks

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

Automobile business

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

Regional Information

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

Prospects

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

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

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

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

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

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

Financial Review

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

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

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

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

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

Liquidity and Financial Resources

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

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

Gearing Ratio

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

Capital Commitment

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

Charges on Assets

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

Future Plans for Material Investments or Capital Assets

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

On 26 March 2019, the Group entered into sale and purchase agreements to acquire the 11 contiguous double deck shop units within a 2-storey retail building in a private housing estate located in Liaoning Province, the PRC, at a cash consideration of approximately RMB20.4 million (equivalent to HK$23.5 million) (the "**Acquisition**"). The Acquisition will help expand the Group's property related business, generate more rental income and strengthen the properties portfolios of the Group.

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

Key Risks and Uncertainties

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

Foreign Exchange Risk

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

Liquidity Risk

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

Operational Risk

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

Impact of Government Policies and Regulations

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

Manpower and Retention Risk

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

Third-Party Risk

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

Business Risk

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

Significant Investments

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

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

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

Compliance with Laws and Regulations

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

Relationships with Stakeholders

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

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

EMPLOYEE AND REMUNERATION POLICIES

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

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

CONTINGENT LIABILITY

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

ENVIRONMENTAL POLICIES

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

TREASURY POLICIES

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

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR AGM

For the purpose of determining the rights to attend and vote at the Company's forthcoming annual general meeting to be held on Wednesday, 5 June 2019 (the "**AGM**"), the register of members of the Company will be closed from Thursday, 30 May 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no transfer of shares of the Company will be effected. The shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 5 June 2019 will be entitled to attend and vote at the AGM. In order to be entitled to attend and vote at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Wednesday, 29 May 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FUND RAISING

First Placing

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

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

Second Placing

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

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

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

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

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") during the Year, except for the deviation from code provision A.2.1 as discussed below.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all Directors, each of the Directors confirmed that he/she complied with the required standards set out in the Model Code throughout the Year.

The Board has also adopted the Model Code as guidelines for relevant employees in respect of their dealings in the securities of the Company. No incident of non-compliance was noted by the Company during the Year.

SCOPE OF WORK OF KPMG ON THIS FINAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the Year as set out in this final results announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

AUDIT COMMITTEE

The Audit Committee, comprising all the three independent non-executive Directors, has reviewed the Group's audited consolidated financial statements for the Year and discussed with the management of the Company the accounting principles and accounting standards adopted by the Group and matters relating to risk management and internal control systems and financial reporting of the Group.

EVENT AFTER THE REPORTING PERIOD

As disclosed above, on 26 March 2019, the Group entered into sale and purchase agreements to acquire the 11 contiguous double deck shop units within a 2-storey retail building in a private housing estate located in Liaoning Province, the PRC, at a cash consideration of approximately RMB20.4 million (equivalent to HK$23.5 million).

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.greatchina-holdings.com. An annual report of the Company, containing information required by the Listing Rules, will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

On behalf of the Board
Great China Holdings Limited
Mr. JIANG Tian
Chairman and Chief Executive

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. JIANG Tian, Ms. HOU Yingxuan, Mr. GONG Biao and Mr. GAO Keqin; one non-executive Director, namely, Mr. CHAI Yuet; and three independent non-executive Directors, namely, Mr. HU Jianxing, Mr. TSEUNG Yuk Hei Kenneth and Mr. JI Qing.