ZHONG HUA INTERNATIONAL HOLDINGS LIMITED

中華國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1064)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board of directors (the "Directors") of Zhong Hua International Holdings Limited (the "Company") would like to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018 (the "Annual Results"), together with the comparative figures and the relevant explanatory notes, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	2	**51,300**	39,330
Other income and gains		**564**	670
Changes in fair value of investment properties		**53,520**	127,088
Administrative expenses		**(29,321)**	(26,232)
Finance costs	3	**(6,701)**	(6,890)
PROFIT BEFORE TAX	4	**69,362**	133,966
Income tax expense	5	**(19,093)**	(37,158)
PROFIT FOR THE YEAR		**50,269**	96,808
Attributable to:			
Ordinary equity holders of the Company		**11,989**	18,609
Non-controlling interests		**38,280**	78,199
		50,269	96,808
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		**HK$0.02**	HK$0.03
Diluted		**HK$0.02**	HK$0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**50,269**	96,808
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) to be reclassified to the income statement in subsequent periods:		
Exchange differences on translation of foreign operations	**(134,791)**	234,022
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**(84,522)**	330,830
Attributable to:		
Ordinary equity holders of the Company	**(28,261)**	87,934
Non-controlling interests	**(56,261)**	242,896
	(84,522)	330,830

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,559**	5,028
Investment properties		**4,340,790**	4,476,000
Total non-current assets		**4,345,349**	4,481,028
CURRENT ASSETS			
Properties held for sale		**35,759**	37,314
Trade receivables	8	**9,433**	1,187
Prepayments, deposits and other receivables		**13,209**	13,638
Cash and bank balances		**91,511**	82,084
Total current assets		**149,912**	134,223
CURRENT LIABILITIES			
Trade payables	9	**(2,008)**	(2,129)
Other payables and accruals		**(46,026)**	(40,992)
Tax payable		**(52,448)**	(50,173)
Interest-bearing bank borrowings		**(7,137)**	(6,874)
Total current liabilities		**(107,619)**	(100,168)
NET CURRENT ASSETS		**42,293**	34,055
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,387,642**	4,515,083
NON-CURRENT LIABILITIES			
Loan from a director		**(73,577)**	(76,776)
Due to a director		**(183,382)**	(183,840)
Long term other payables		**(133,645)**	(137,622)
Interest-bearing bank borrowings		**–**	(7,409)
Deferred tax liabilities		**(939,744)**	(967,620)
Total non-current liabilities		**(1,330,348)**	(1,373,267)
Net assets		**3,057,294**	3,141,816
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**15,140**	15,140
Reserves		**867,396**	895,657
		882,536	910,797
Non-controlling interests		**2,174,758**	2,231,019
Total equity		**3,057,294**	3,141,816

Notes:

1.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements to HKFRSs 2014-2016 Cycle,* which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has recognised the transition adjustments against the applicable opening balances at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39. The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	HKAS 39 measurement		**ECL**	**HKFRS 9 measurement**	
	Category	**Amount**	**Amount**	**Amount**	**Category**
		HK$'000	*HK$'000*	*HK$'000*	
<u>Financial assets</u>					
Trade receivables	L&R[1]	1,187	–	1,187	AC[2]
Financial assets included in prepayments, deposits and other receivables	L&R[1]	13,439	–	13,439	AC[2]
Cash and bank balances	L&R[1]	82,084	–	82,084	AC[2]
		96,710	–	96,710	

There was no significant impact from replacing the aggregate opening impairment allowance under HKAS 39 with ECLs allowances under HKFRS 9 on the above financial assets as at 1 January 2018.

	HKAS 39 measurement		HKFRS 9 measurement	
	Category	**Amount**	**Amount**	**Category**
		HK$'000	*HK$'000*	
Financial liabilities				
Trade payables	AC[2]	(2,129)	(2,129)	AC[2]
Financial liabilities included in other payables and accruals	AC[2]	(27,034)	(27,034)	AC[2]
Loan from a director	AC[2]	(76,776)	(76,776)	AC[2]
Due to a director	AC[2]	(183,840)	(183,840)	AC[2]
Long term other payables	AC[2]	(137,622)	(137,622)	AC[2]
Interest-bearing bank borrowings	AC[2]	(14,283)	(14,283)	AC[2]
		(441,684)	(441,684)	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The initial application of HKFRS 15 has had no effect on the timing and measurement of revenue recognition as at 1 January 2018.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that 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) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration.

The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue represents gross income from letting investment properties, after elimination of all significant intra-group transactions less any applicable taxes.

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) the property investment segment, which invests in properties located in Mainland China for generating potential income from letting; and

(b) the corporate and others segment, which provides management services to group companies.

The management of the Group monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from operations. The adjusted profit/(loss) before tax from operations is measured consistently with the Group's profit before tax from operations except that other income and gain and finance costs are excluded from such measurement. Segment assets exclude cash and bank balances as it is managed on a group basis. Segment liabilities exclude tax payable, deferred tax liabilities, interest-bearing bank borrowings and a loan from a director as these liabilities are managed on a group basis.

	Property investment		Corporate and others		Total	
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to external customers	**51,300**	39,330	–	–	**51,300**	39,330
Segment results	**90,760**	154,999	**(15,261)**	(14,813)	**75,499**	140,186
Other income and gains					**564**	670
Finance costs					**(6,701)**	(6,890)
Profit before tax					**69,362**	133,966
Income tax expense					**(19,093)**	(37,158)
Profit for the year					**50,269**	96,808
Segment assets	**4,403,132**	4,532,609	**618**	558	**4,403,750**	4,533,167
Unallocated assets					**91,511**	82,084
Total assets					**4,495,261**	4,615,251
Segment liabilities	**314,191**	309,801	**50,870**	54,782	**365,061**	364,583
Unallocated liabilities					**1,072,906**	1,108,852
Total liabilities					**1,437,967**	1,473,435
Other segment information						
Capital expenditure	**–**	399	–	–	**–**	399
Depreciation	**270**	270	–	–	**270**	270
Changes in fair value of investment properties	**53,520**	127,088	–	–	**53,520**	127,088
Interest on a loan from a director					**6,005**	5,754

Geographical information

Revenues are attributed to the segments based on the locations of the customers, and assets are attributed to the segments based on the locations of the assets. No geographical information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Information about major customers

Revenues from four (2017: four) customers, each of which accounted for revenue exceeding 10% of the Group's total revenues, amounted to approximately HK$51,300,000 (2017: HK$39,330,000).

3. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**696**	1,136
Loan from a director	**6,005**	5,754
	6,701	6,890

4. PROFIT BEFORE TAX

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

	2018	2017
	HK$'000	*HK$'000*
Depreciation	**270**	270
Bank interest income	**(303)**	(168)
Changes in fair value of investment properties	**(53,520)**	(127,088)

5. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current – elsewhere		
Charge for the year	**6,023**	5,386
Deferred	**13,070**	31,772
Total tax charge for the year	**19,093**	37,158

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2017: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the regions in which the Group operates. The subsidiaries established in Mainland China are subject to income taxes at a tax rate of 25% (2017: 25%).

6. **FINAL DIVIDEND**

The Directors did not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

7. **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY**

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$11,989,000 (2017: HK$18,609,000), and the number of ordinary shares of 605,616,520 (2017: 605,616,520) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

8. **TRADE RECEIVABLES**

An ageing analysis of the trade receivables as at the end of the reporting period is as follows:

	2018		2017	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**9,433**	**100**	1,187	100

The Group generally grants a credit term of 3 months to 12 months to its customers.

The ageing of the Group's trade receivables is based on the date of recognition of revenue. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

9. **TRADE PAYABLES**

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2018		2017	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
More than 1 year	**2,008**	**100**	2,129	100

The ageing of the Group's trade payables is based on the dates of the goods received or services rendered. The trade payables are non-interest-bearing.

FINANCIAL REVIEW

The Group recorded a turnover of HK$51,300,000 (2017: HK$39,330,000) for the year ended 31 December 2018. Net profit for the year attributable to ordinary equity holders of the Company was HK$11,989,000 (2017: HK$18,609,000).

The Group generally financed its operations with internally generated cash flows and banking facilities during the year.

Cash and bank balances of the Group as at 31 December 2018 amounted to HK$91,511,000 (2017: HK$82,084,000).

At 31 December 2018, the Group had outstanding borrowings of HK$80,714,000 (2017: HK$91,059,000) comprising an interest-bearing bank loan amounted to HK$7,137,000 (2017: HK$14,283,000) and a loan from a director amounted to HK$73,577,000 (2017: HK$76,776,000). The Group's interest-bearing bank loans were repayable within one year or on demand.

At 31 December 2018, the secured bank loan of HK$7,137,000 (2017: HK$14,283,000) of the Group bore interest at floating interest rates and was denominated in Renminbi ("RMB").

The Group's gearing ratio as at 31 December 2018 was 0.02 (2017: 0.02), calculated based on the Group's interest-bearing bank borrowings and loan from a director of HK$80,714,000 (2017: HK$91,059,000) over total assets of HK$4,495,261,000 (2017: HK$4,615,251,000). The Group's gearing was maintained at a relatively low level during the year.

BUSINESS REVIEW

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development in Mainland China and have two property interests, one in Chongqing (重慶市) and the other in Guangzhou (廣州市).

Guang Yu Square (港渝廣場), a 15-storey commercial building, is situated at the most prime commercial area at Chaotianmen (朝天門), Yuzhong District (渝中區), Chongqing (重慶市). Chaotianmen is one of the major clothing wholesale points in Chongqing while Guang Yu Square is the most popular men's clothing and footwear wholesale centre in the region.

The property interest in Guangzhou (廣州市) is situated at the most prime commercial area in Yuexiu District (越秀區), Guangzhou. It is planned that the development site will be developed into a versatile grade A commercial building complex with wholesale and exhibition hall facilities and with an objective to be the landmark of the Yuexiu District. The development site is comprised of three contiguous land parcels located at the east of Jiefang Road South (解放南路), to the south of Daxin Road (大新路), to the north of Yede Road (一德路) and to the west of Xieen Road (謝恩里), Yuexiu District and is wholly-owned by Guangzhou Zheng Da Real Estate Development Company Limited (廣州市正大房地產開發有限公司) ("GZ Zheng Da") which in turn Zheng Da Real Estate Development Co. Ltd. ("HK Zheng Da"), a private company incorporated in Hong Kong, has 100% interest.

GZ Zheng Da was set up as a Sino-foreign joint venture by HK Zheng Da as the foreign partner and a state-owned enterprise, a third party, as the sino partner in Guangzhou in December 1993. Since its formation, the sino partner has not provided any capital or management support to GZ Zheng Da to a material extent. Pursuant to the terms of the Enforcement Rules of the Joint Venture Agreement (合作合同實施細則) (the "Enforcement Rules") executed in 1994, the sino partner agreed to surrender its entire interest in GZ Zheng Da except those benefits specified in the Enforcement Rules and therefore HK Zheng Da assumed 100% interest in GZ Zheng Da.

The Group acquired a 25% indirect interest in HK Zheng Da in December 2007 while the remaining 75% interest to be completed by the Group not later than 30 June 2019 at an aggregate consideration of RMB1,361,100,000 (approximately HK$1,565,265,000). Details of the intended acquisition, including terms and conditions, consideration and settlement mechanism, and their amendments thereafter were disclosed in the Company's circular dated 26 November 2007 and the Company's various announcements issued thereafter, the latest of which was issued on 27 June 2018 (primarily refers to the deferment of the long stop date for completion of the acquisition from 30 June 2018 to 30 June 2019).

Furthermore, as stated in the Company's announcement dated 27 June 2018, the Group and its counter parties executed a supplemental agreement to explore opportunity to arrive any revised terms for the settlement of and the consideration for, and completion timetable in relation to the acquisition of the remaining 75% indirect interest in HK Zheng Da not later than the revised long stop date which was further deferred to 30 June 2019. If a revised agreement is concluded, it is anticipated that the acquisition will be financed by debt financing, equity financing, bank borrowings or a combination of the three kinds. If in case the acquisition lapses on 30 June 2019, no party shall be liable to each other. If this happens, the Group will no longer deem control over HK Zheng Da and GZ Zheng Da (collectively the "Zheng Da Group") and there will be a major accounting adjustment to the consolidated accounts of the Company for the year ending 31 December 2019 to the effect that the Zheng Da Group will be regarded as an associated company with a 25% equity interest but not a 25% owned subsidiary of the Company. Further announcement will be made once a concrete decision is made by the Group.

Pending for re-developing into a commercial complex, the development site is presently comprised of a 2-storey non-permanent commercial podium and a car park for loading and offloading inventory. With a history of over one century for footwear wholesale business in the area surrounding the development site, the commercial podium is the most popular footwear boutique showcase and wholesale centre in Guangzhou.

The development project was initially planned to be completed within a period of 15 years but its progress was interrupted by the modifications of municipal planning in the region from time to time in the past years. Pursuant to the terms of the relevant joint venture agreement, the joint venture period of GZ Zheng Da was from 31 December 1993 to 31 December 2008 and could be further extended at the request of either foreign or sino partner upon maturity. In December 2008, both GZ Zheng Da and its foreign partner, HK Zheng Da, agreed to extend the joint venture period by 15 years with effect from 1 January 2009 in accordance with the provisions of the articles of GZ Zheng Da but 越秀房地產開發經營公司 ("越秀國企"), its sino partner and a state-owned enterprise, had become dormant a couple of years ago and therefore its consent could not be obtained. On the other hand, it appeared that another enterprise named 越秀房地產開發經營有限公司 ("越房私企"), a privately owned enterprise which acquired certain assets (but not included any interest in GZ Zheng Da (if any)) from 越秀國企 some years ago, claimed that it had taken up certain interest in GZ Zheng Da (if any) from 越秀國企, but that was not the case. As such, in late December 2008, GZ Zheng Da served a writ against 越房私企 at the Guangdong Province Guangzhou Municipal Yuexiu District People's Court (廣東省廣州市越秀區人民法院) (the "Yuexiu Court") demanding for the confirmation of disqualification of 越房私企 from the sino partnership (if any) of the subject joint venture. The relevant judgement was issued in July 2009 with rulings endorsing the forfeiture of the partnership qualification and legal entitlements of 越房私企 in the joint venture. 越房私企 then filed an appeal petition (the "Appeal") at the Guangzhou Province Guangzhou Municipal Intermediate People's Court (廣東省廣州市中級人民法院) (the "Guangzhou Court") in August 2009. An hearing was made in October 2009 and no further hearings had been made since then. Both GZ Zheng Da and HK Zheng Da had not yet received a valid judgement in writing issued by the Guangzhou Court in accordance with the relevant PRC laws and due judicial procedures. Further details about the developments of, and events incidental to the Appeal were disclosed in the Company's announcement dated 25 March 2013.

Both GZ Zheng Da and HK Zheng Da are looking forward to receiving a formal and legally valid verdict, notice or directive in relation to the Appeal to be granted by the Guangzhou Court or its higher court in accordance with the relevant PRC laws and due judicial procedures. Taking into account the latest rulings granted by the Yuexiu Court in July 2009, the facts and legal grounds substantiated at the first hearing of the Appeal, and the opinion given by the PRC legal counsels and advisers, the Company remains optimistic in obtaining a favourable judgement in the Appeal.

OUTLOOK

In mid-February 2019, the Sino-US trade talks had encouraging progress with China and the Trump Administration of the United States likely reaching agreements on trade negotiations in late March. If this happens, the economic uncertainty in both China and Hong Kong will be cleared. In anticipation of this possible positive outcome, the stock market in Mainland China has fueled up since Chinese New Year.

Following the relaxation of the deposit reserve ratios by the People's Bank of China in January 2019, the liquidity of money market in Mainland China is eased to a material extent. This will boost both the domestic consumer market and property market in Mainland China. It is hence forecast that Renminbi will continue remain be strong in coming year.

The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" promulgated by the State Council of China in mid-February 2019 maps out the current and future co-operation and development of the Greater Bay Area for the period from now to 2022 in the immediate term and extending to 2035 in the long term. It is anticipated that both Guangzhou and Hong Kong will benefit and become world-class city cluster in coming years.

China will celebrate its 70th national day this year. The Group will take this opportunity to work closely with the Yuexiu District Government and accelerate the re-development momentum of the Group in Yuexiu District, Guangzhou. In Chaotianmen Chongqing, the "Chongqing Raffles" development project (重慶來福仕發展項目), the latest and most spectacular landmark of Chongqing, is expected to be completed by the end of this year. With the close proximity of this new landmark, the Guang Yu Square will encourage its tenants to extend business hours from 4 p.m. to 9 p.m. for attracting more customers.

Having considered these matters, the Directors will keep on an optimistic approach in its property development projects on hand as well as re-mapping its business directions for the coming years and are of the view that the Group should diversify its businesses to tap the opportunities and challenges in the Greater Bay Area and the Belt and Road Initiative.

With strong assets backing and extremely low gearing ratio for the Group's financial position, the Group may take these advantages to explore new business opportunities in 2019 and 2020. The Directors will also strengthen its management expertise and redeploy the Group's resources for meeting these new challenges.

Looking ahead, the Directors are optimistic and confident about the economic prosperity in China as well as the Group's future prospects.

CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year, except for the following deviation:

Code Provision A.4.2

The second part of Code A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the bye-laws of the Company, the Managing Director of the Company was not subject to retirement by rotation. However, the Managing Director of the Company voluntarily retired by rotation every three years and offered himself for re-election at the Company's general meetings in the past years. The Directors considered that this practice was in line with the spirit of the relevant practice of the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company had adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by its directors. Having made specific enquiry to the Directors, the Company confirmed that the Directors had complied with required standard set out in the Model Code throughout the accounting period covered by the annual report.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary results announcement have been agreed by the Company's auditor, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an 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 Company's auditor on the preliminary results announcement.

AUDIT COMMITTEE

The Annual Results had been reviewed by the Audit Committee of the Company.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The annual report of the Group for the year ended 31 December 2018 containing all information required by Appendix 16 of the Listing Rules will be sent to the shareholders of the Company as well as released on the web site of the Stock Exchange as soon as practicable.

By Order of the Board
Ho Kam Hung
Executive Director

Hong Kong, 26 February 2019

As at the date of this announcement, the board of directors of the Company comprises: (i) Ho Kam Hung as executive director; (ii) Young Kwok Sui as non-executive director; and (iii) Tam Kong, Lawrence, Wong Miu Ting, Ivy and Wong Kui Fai as independent non-executive directors.