天禧海嘉控股集團有限公司

SKY CHINAFORTUNE HOLDINGS GROUP LIMITED

LISTED ON THE STOCK EXCHANGE OF HONG KONG (STOCK CODE: 141)

(formerly known as Great China Holdings Limited)

(Incorporated in Hong Kong with limited liability)

2019

INTERIM REPORT

CONTENTS

Corporate Information	02
Management Discussion and Analysis	03
Supplementary Information	10
Review Report	17
Consolidated Statement of Profit or Loss	18
Consolidated Statement of Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	22
Condensed Consolidated Cash Flow Statement	23
Notes to the Unaudited Interim Financial Report	24

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. CHAI Yuet

Independent Non-executive Directors

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

Company Secretary

Ms. HO Wing Yan *(ACIS, ACS (PE))*

Auditor

KPMG
Certified Public Accountants

Legal Adviser

CFN Lawyers

Share Registrar

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

Registered Office

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Stock Code

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

Website

www.skychinafortune.com

Contact

Room 1512, 15/F.
New World Tower 1
16–18 Queen's Road Central
Hong Kong
Telephone: (852) 2167 3333
Facsimile: (852) 2167 6333
Email: info@skychinafortune.com

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

It is expected that the fluctuating US-China relations may turn the global economy volatile for some time, during which export growth may be further slackened due to external uncertainties. The China economy will inevitably be affected.

Despite that the property market in the People's Republic of China ("**PRC**") for the six months ended 30 June 2019 (the "**Period**") has shown a slightly downward trend, it has still been well-managed in terms of both transactions and prices through relevant monetary and administrative measures.

Financial Review

Revenue of the Group for the Period decreased by approximately HK$0.58 million to approximately HK$11.96 million (six months ended 30 June 2018: approximately HK$12.54 million). This was due to the effects of exchange fluctuation against RMB.

Our gross profit was approximately HK$11.05 million (six months ended 30 June 2018: approximately HK$11.22 million) for the Period, while gross profit margin was approximately 92.39% (six months ended 30 June 2018: approximately 89.49%). The gross profit margin had increased compared with the corresponding period in 2018 due to property tax incentives in the PRC.

Other net income was approximately HK$2.99 million for the Period while that for the corresponding period in 2018 was approximately HK$0.97 million. Such increment was mainly due to the one-off reversal of lease liabilities as a result of the reassessment of lease term.

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 for the six months ended 30 June 2019 and 2018 were approximately HK$11.59 million and HK$10.53 million, respectively, representing an increase of approximately HK$1.06 million for the Period. Such increase was mainly due to (i) an increase in the average wages and salaries, and (ii) an increase in depreciation charge of right-of-use assets due to an additional venue for the automobile business.

Loss for the Period attributable to owners of the Company amounted to approximately HK$4.58 million (six months ended 30 June 2018: profit of approximately HK$1.52 million). The substantial decline was mainly due to the recognition of impairment loss of approximately HK$8.15 million in the Group's automobile business segment as a result of the negative impact on the current automobile retail market in the PRC, the reduction of PRC government subsidies for new energy vehicles and the decrease in fair value of investment properties of approximately HK$2.85 million. The loss is the amount after the offset of the increase in the fair value of properties transferred from a property held for sale to investment property of approximately HK$6.34 million and the reversal of lease liabilities of approximately HK$2.20 million as a result of the reassessment of lease term.

Basic and diluted loss per share of the Company (the "**Share**") were HK1.32 cents (six months ended 30 June 2018: earnings per share HK0.44 cents).

Business Review

Residential premises

For the Period, the Group generated revenue of approximately HK$1.13 million (six months ended 30 June 2018: approximately HK$1.21 million) from the leasing of residential premises. The average occupancy rate per unit was approximately 82.29% for the Period (six months ended 30 June 2018: approximately 82.29%). The occupancy rate per unit as at 30 June 2019 was approximately 87.50%. As at 30 June 2019, 13 residential premises (as at 30 June 2018: 12 residential premises) were classified as investment properties, which were valued by an independent professional valuer. The fair value gain on investment properties was approximately HK$4.71 million for the Period (six months ended 30 June 2018: approximately HK$1.49 million). As at 30 June 2019, 3 residential premises (as at 30 June 2018: 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

During the Period, the Group entered into sale and purchase agreements to acquire 11 contiguous double deck shop units within a 2-storey retail building in a newly constructed private housing estate located in Liaoning Province, the PRC, at a cash consideration (tax inclusive) of approximately HK$22.85 million (the "**Acquisition**"). The Acquisition will help expand the Group's property related business, generate more rental income and strengthen the property portfolio of the Group. For details, please refer to the Company's announcement dated 26 March 2019.

For the Period, the Group generated revenue of approximately HK$10.83 million (six months ended 30 June 2018: approximately HK$11.33 million) from leasing of shops and car parks. The average occupancy rate per unit was 67.65% for the Period (six months ended 30 June 2018: 100.00%). As at 30 June 2019, all shops and car parks were classified as investment properties which were valued by the independent professional valuer. The fair value loss on investment properties was recorded at approximately HK$1.21 million for the Period (six months ended 30 June 2018: fair value gain on investment properties at approximately HK$0.12 million).

Automobile Business

As a result of the escalating US-China trade tension, China's economy had been affected amid various uncertainties and the automobile retail market in the PRC was adversely affected with a substantial drop in sales volume. It has been tough for Chinese automobile retailers as the automobile industry is grappling with consumers' weak buying interest and the new energy vehicles retail market is further aggravated by the drastic cuts to government subsidies on new energy vehicles, which force affordable electric-vehicle makers to raise prices beyond the reach of most entry-level buyers amidst such weak demand. The Group turned cautious in its investment and development of the Sky Fortune Gallop Imported Automobile City 天禧駿馳進口車城 (the "**Automobile City**") taking into account of the said negative impacts, which has caused delay to the official launch of the Automobile City during the Period. For the Period, this business segment had not generated any revenue and recorded a loss after tax of approximately HK$8.29 million (six months ended 30 June 2018: nil), which was mainly attributable to the impairment loss of approximately HK$8.15 million (six months ended 30 June 2018: nil) that was recognised on property, plant and equipment and other receivables. Recoverable amount was estimated to be nil based on value-in-use calculation and that the property, plant and equipment and other receivables in relation to the automobile business had been fully impaired.

Regional Information

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

Prospects

During the Period, changes in the global political and economic landscape, a complicated and volatile external environment and heightened uncertainties had affected the global economic environment. If the US-China trade conflict continues to escalate, this will not only affect PRC and Hong Kong exports and retail markets, but also dampen local investments and private consumption.

PRC is the second largest economy in the world and the main engine of global economic growth. This is a remarkable achievement attributable to its economic reform.

The Group is positive towards the growth opportunities in PRC in the long run. In the short term, the directors of the Company (the "**Directors**") will continue to closely monitor the market and explore any business opportunities.

As disclosed under the heading "Automobile Business" above, following the outbreak of trade conflict between China and the U.S., the retail market for automobiles has been seriously affected. Further, the impact of reduction of government subsidies for new energy vehicles, as jointly announced by various departments of the PRC government in March 2019, was greater than expected. It is expected that such adverse factors will continue to affect this business segment in the coming quarters. Thus, the Company has decided to cease this business segment.

Besides, the Group will continue to closely monitor and review the leasing strategies from time to time. The Group is actively exploring other business opportunities (e.g. the domestic food and beverage market in the PRC) and is committed to diversifying its revenue stream to further enhance the Company's performance and optimise the return for its shareholders.

Liquidity and Financial Resources

As at 30 June 2019, the Group's current ratio was approximately 4.69 (31 December 2018: approximately 5.70), calculated on the basis of current assets of approximately HK$119.47 million (31 December 2018: approximately HK$150.82 million) over current liabilities of approximately HK$25.46 million (31 December 2018: approximately HK$26.46 million).

As at 30 June 2019, total short-term bank deposit, bank balances and cash on hand, which were denominated in Hong Kong dollars, United States dollars and Renminbi, were approximately HK$110.21 million (31 December 2018: approximately HK$140.76 million).

Gearing Ratio

As at 30 June 2019, the Group's gearing ratio (defined as total bank borrowings divided by total assets) was nil (31 December 2018: Nil), due to no bank borrowings of the Group (31 December 2018: Nil) and total assets of the Group was approximately HK$707.16 million (31 December 2018: approximately HK$711.58 million).

Future Plans for Material Investment or Capital Assets

The Group is actively exploring other business opportunities in the domestic food and beverage market in the PRC. The Group intends to commence (i) the catering business through opening restaurants; and (ii) the retail catering business through opening convenient stores, both in Shanghai in the coming years. Due to the improvement of consumers' purchase power and the growing demand for dining out, the Chinese food and beverage market has kept a high growth rate. The Group believes that, by expanding into the food and beverage industry, the Group can take advantage of the increasing domestic demand in this industry and will provide a prime opportunity for the Group to diversify its revenue stream and bring a better return to the shareholders of the Company, which is expected to benefit the Company and the shareholders of the Company as a whole. For details, please refer to the Company's announcement dated 5 June 2019.

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.

Significant Investments

During the Period, the Group did not have any significant investments (six months ended 30 June 2018: 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 Period.

Foreign Exchange Exposure

During the Period, 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. It was expected that the exposure to exchange rate fluctuation was not significant and therefore the Group did not engage in any hedging activity during the Period.

Capital Commitment

As at 30 June 2019, the Group had capital commitments of approximately HK$1.10 million for renovation (31 December 2018: HK$1.52 million).

Contingent Liability

The Group had no material contingent liability as at 30 June 2019 (31 December 2018: Nil).

Charges on Assets

As at 30 June 2019, the Group did not have any charges on its assets (31 December 2018: Nil).

Treasury Policy

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 had been and would 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.

Employees and Remuneration Policies

As at 30 June 2019, the Group employed 19 employees (30 June 2018: 17) with staff costs excluding the non-executive Director and independent non-executive Directors for the Period amounting to approximately HK$5.63 million (six months ended 30 June 2018: approximately HK$5.29 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.

As at 30 June 2019, no share options had been granted under the Scheme since its adoption.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (six months ended 30 June 2018: Nil).

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 Period.

FUND RAISING — PLACINGS

The Company has conducted two placings of new shares under general mandate in 2017 (the "**Placings**") with details as follows:

	Date of placing agreement	No. of new shares placed	Placing price	Net placing price	Gross and net proceeds	Market price of the shares on the date when the issuance terms were determined	Date of completion
First Placing	10 February 2017	52,300,000 shares	HK$1.44	HK$1.43	Approximately HK$75.31 million and HK$74.42 million	HK$1.75 (10 February 2017)	24 February 2017
Second Placing	3 November 2017	31,390,000 shares	HK$1.50	HK$1.49	Approximately HK$47.09 million and HK$46.67 million	HK$1.78 (3 November 2017)	30 November 2017

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 are as follows:

Fund raising activities	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds subsequent to up to 30 June 2019	Unutilised proceeds	Expected timeline for utilised net proceeds
First Placing	Approximately HK$74.72 million	For			By 2019
		(i) general working capital; and/or	(i) Approximately HK$29.89 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	Approximately HK$21.98 million will be applied as general working capital of the Group	
		(ii) financing future investment or new business development as and when opportunities arise	(ii) Approximately HK$22.85 million had been used for the settlement of the consideration of the Acquisition and its related taxes and expenses	Nil	
Second Placing	Approximately HK$46.67 million	For			
		(i) general working capital; and/or	(i) Nil; and		
		(ii) financing future investment or new business development as and when opportunities arise	(ii) Approximately HK$10.71 million had been applied for the construction and development of the Automobile City	Approximately HK$2.70 million will be applied for the Automobile City's related expenses in 2019 and approximately HK$33.26 million will be used as intended for financing new business development when the opportunity arises	By 2020

SUPPLEMENTARY INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the following Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the shares of the Company (the "Shares")

		Number of shares interested			
Name of director	**Capacity/ Nature of Interest**	**Direct interests**	**Deemed interests**	**Total interests**	**Percentage of the Shares***
Mr. JIANG Tian	Beneficial owner	5,648,000		192,824,577	55.83%
	Interest in a controlled corporation		187,176,577 *(Note 1)*		

Long positions in the shares of the associated corporations

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

Notes:

1. *Mr. JIANG Tian was deemed to be interested in 192,824,577 Shares, among which 187,176,577 Shares were held by Hopevision Group Ltd. and 5,648,000 Shares were held in his own capacity.*

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

* *The percentage represents the number of Shares interested divided by the number of the Shares as at 30 June 2019.*

Save as disclosed above, as at 30 June 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that, as at 30 June 2019, the following parties had interests in more than 5% of the Shares:

Long positions in the Shares

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

Notes:

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

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

* *The percentage represents the number of Shares interested divided by the number of the Shares as at 30 June 2019.*

Save as disclosed above, the Directors are not aware of any person (other than the Directors whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" above) who, as at 30 June 2019, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under section 336 of the SFO.

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. Save as disclosed herein, the Company complied with all the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the Period, except the following deviation.

Code Provision A.2.1

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 of the Company, the chairman of the Board (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 of the Company (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.

UPDATES ON DIRECTORS' INFORMATION

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

— Ms. HOU Yingxuan was appointed as a director of Great China Holdings Limited and Sky Chinastar Holdings Group Limited, each a subsidiary of the Company, on 14 May 2019 and 16 May 2019, respectively.

— Mr. GONG Biao was appointed as a supervisor of 天禧海嘉(上海)商務管理有限公司, 小野牛(上海)餐飲有限公司 and 上海世芬便利店有限公司, each a subsidiary of the Company, on 23 April 2019, 14 June 2019 and 14 June 2019, respectively.

— Mr. GAO Keqin was appointed as a chairman of the board and a legal representative of 天禧海嘉(上海)商務管理有限公司, and an executive director and a legal representative of 小野牛(上海)餐飲有限公司 and 上海世芬便利店有限公司 on 23 April 2019, 14 June 2019 and 14 June 2019, respectively. Each of the abovementioned companies is a subsidiary of the Company.

— Each of the service contracts of Mr. JIANG Tian, Ms. HOU Yingxuan, Mr. GONG Biao and Mr. GAO Keqin as executive Directors and the letters of appointment of Mr. CHAI Yuet, Mr. HU Jianxing, Mr. TSEUNG Yuk Hei Kenneth and Mr. JI Qing as non-executive Directors have been renewed for a term of three years commenced from 23 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 had complied with the required standards set out in the Model Code throughout the Period.

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 Period.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE AND AUDITOR

The audit committee of the Company, comprising all the three independent non-executive Directors, has reviewed the Group's unaudited condensed consolidated financial statements for the Period 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.

The unaudited interim financial report of the Group for the Period has been reviewed by the Company's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 *"Review of interim financial information performed by the independent auditor of the entity"* issued by the HKICPA.

CHANGE OF COMPANY NAME

Subsequent to the passing of the special resolution approving the proposed change of company name by the shareholders of the Company at the extraordinary general meeting of the Company which was held on 5 June 2019, the Hong Kong Companies Registry has issued the Certificate of Change of Name dated 28 June 2019 confirming that the change of name of the Company from "Great China Holdings Limited (大中華集團有限公司)" to "Sky Chinafortune Holdings Group Limited (天禧海嘉控股集團有限公司)" has become effective on 28 June 2019. The stock short name of the Company has been changed from "GREAT CHINA" in English and "大中華集團" in Chinese to "SKYCHINAFORTUNE" in English and "天禧海嘉控股"in Chinese, for trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 9 July 2019. The stock code of the Company on the Stock Exchange remains unchanged as "141". The website of the Company is changed from "www.greatchina-holdings.com" to "www.skychinafortune.com" with effect from 9 July 2019. All announcements, notices or other documents to be submitted by the Company for publication on the Stock Exchange's website are also published on this new website of the Company. Details of the change of name of the Company were set out in the circular of the Company dated 10 May 2019 and the announcements of the Company dated 8 May 2019, 5 June 2019 and 4 July 2019, respectively.

EVENTS AFTER THE REPORTING PERIOD

As a result of the escalating US-China trade tension, the PRC retail market for automobiles has been seriously affected. Further, the impact of the reduction of government subsidies for new energy vehicles, as jointly announced by various departments of the PRC government in March 2019, was greater than expected. After considering the change in situation for the PRC automobile market, the Board resolved to cease the development of the Automobile City and will deregister Shanghai Chengzhi Automobile Sales Co, Ltd*., (上海誠郅汽車銷售有限公司) and Shanghai Tian Xi Vehicle Service Company* (上海天禧車業服務有限公司), each a wholly-owned subsidiary of the Company, in the second half of 2019, respectively.

Save as disclosed herein, the Group had no significant events after 30 June 2019.

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

PUBLICATION OF INTERIM REPORT ON WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim report is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.skychinafortune.com.

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.

BOARD OF DIRECTORS

As at the date of this report, 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.

On behalf of the Board
Sky Chinafortune Holdings Group Limited
JIANG Tian
Chairman and Chief Executive

Hong Kong, 27 August 2019

REVIEW REPORT TO THE BOARD OF DIRECTORS OF SKY CHINAFORTUNE HOLDINGS GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

We have reviewed the interim financial report set out on pages 18 to 44 which comprises the consolidated statement of financial position of Sky Chinafortune Holdings Group Limited (formerly known as Great China Holdings Limited) (the "**Company**") as at 30 June 2019 and the related consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019
(Expressed in Hong Kong dollars ("HK$"))

		Six months ended 30 June	
		2019	2018
			(Note a)
	Note	**HK$'000**	HK$'000
		(Unaudited)	(Unaudited)
Revenue	*5*	**11,961**	12,538
Cost of sales		**(910)**	(1,318)
Gross profit		**11,051**	11,220
Other net income		**2,986**	965
Net valuation gain on investment properties	*9*	**3,497**	1,613
Administrative expenses		**(11,589)**	(10,528)
Other operating expenses	*6(b)*	**(8,149)**	—
(Loss)/profit from operations		**(2,204)**	3,270
Finance costs	*6(a)*	**(394)**	—
(Loss)/profit before taxation	*6(b)*	**(2,598)**	3,270
Income tax	*7*	**(1,978)**	(1,747)
(Loss)/profit for the period attributable to equity shareholders of the Company		**(4,576)**	1,523
(Loss)/earnings per share			
— Basic and diluted *(HK cents)*	*8*	**(1.32)**	0.44

Notes:

(a) The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) The notes on pages 24 to 44 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 13(a).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

(Expressed in HK$)

	Six months ended 30 June	
	2019	2018
		(Note a)
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(4,576)**	1,523
Other comprehensive income for the period (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of financial statements of overseas subsidiaries	**(32)**	(2,747)
Total comprehensive income for the period, attributable to equity shareholders of the Company	**(4,608)**	(1,224)

Notes:

(a) The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) The notes on pages 24 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

(Expressed in HK$)

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 *(Note a)* HK$'000 (Audited)
Non-current assets			
Investment properties	*9*	**572,567**	544,491
Property, plant and equipment	*10*	**2,560**	9,390
Right-of-use assets	*11*	**2,817**	—
Trademark		**108**	108
Trade and other receivables, prepayments and deposits	*12*	**9,494**	6,678
Deferred tax assets		**140**	87
		587,686	560,754
Current assets			
Properties held for sale		**4,274**	6,437
Trade and other receivables, prepayments and deposits	*12*	**4,625**	3,357
Tax recoverable		**363**	269
Short-term bank deposits		**90,675**	81,722
Bank balances and cash		**19,537**	59,038
		119,474	150,823

	Note	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 *(Note a)* HK$'000 (Audited)
Current liabilities			
Other payables and accrued expenses		**22,765**	25,987
Rental deposits received		**132**	265
Lease liabilities		**2,497**	—
Tax payable		**68**	207
		25,462	26,459
Net current assets		**94,012**	124,364
Total assets less current liabilities		**681,698**	685,118
Non-current liabilities			
Other payables and accrued expenses		**—**	1,403
Rental deposits received		**4,265**	4,050
Lease liabilities		**1,151**	—
Deferred tax liabilities		**79,278**	77,938
		84,694	83,391
NET ASSETS		**597,004**	601,727
Capital and Reserves	*13*		
Share capital		**193,246**	193,246
Reserves		**403,758**	408,481
TOTAL EQUITY		**597,004**	601,727

Notes:

(a) The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) The notes on pages 24 to 44 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019 — unaudited

(Expressed in HK$)

	Attributable to equity shareholders of the Company				
	Share capital HK$'000	Exchange reserve HK$'000	Statutory reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2018	193,246	92,571	72	344,890	630,779
Changes in equity for the six months ended 30 June 2018:					
Profit for the period	—	—	—	1,523	1,523
Other comprehensive income	—	(2,747)	—	—	(2,747)
Total comprehensive income	—	(2,747)	—	1,523	(1,224)
Balance at 30 June 2018	193,246	89,824	72	346,413	629,555

	Attributable to equity shareholders of the Company				
	Share capital HK$'000	**Exchange reserve HK$'000**	**Statutory reserve HK$'000**	**Retained profits HK$'000**	**Total HK$'000**
Balance at 31 December 2018	**193,246**	**70,215**	**133**	**338,133**	**601,727**
Adjustment on initial application of HKFRS 16 *(note a)*	**—**	**—**	**—**	**(115)**	**(115)**
Adjusted balance at 1 January 2019	**193,246**	**70,215**	**133**	**338,018**	**601,612**
Changes in equity for the six months ended 30 June 2019:					
Loss for the period	**—**	**—**	**—**	**(4,576)**	**(4,576)**
Other comprehensive income	**—**	**(32)**	**—**	**—**	**(32)**
Total comprehensive income	**—**	**(32)**	**—**	**(4,576)**	**(4,608)**
Balance at 30 June 2019	**193,246**	**70,183**	**133**	**333,442**	**597,004**

Notes:

(a) The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) The notes on pages 24 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2019

(Expressed in HK$)

	Six months ended 30 June	
	2019	2018 *(Note a)*
	HK$'000 (Unaudited)	HK$'000 (Unaudited)
Operating activities		
Net cash (used in)/generated from operating activities	**(4,623)**	1,219
Investing activities		
Purchase of property, plant and equipment	**(3,091)**	(2,438)
Purchase of investment properties	**(22,850)**	—
Repayment of a loan by a third party	**—**	12,404
Others	**744**	694
Net cash (used in)/generated from investing activities	**(25,197)**	10,660
Financing activities		
Capital element of lease rentals paid	**(694)**	—
Interest element of lease rentals paid	**(33)**	—
Net cash used in financing activities	**(727)**	—
Net (decrease)/increase in cash and cash equivalents	**(30,547)**	11,879
Cash and cash equivalents at 1 January	**140,760**	139,163
Effect of foreign exchange rates changes	**(1)**	(1,112)
Cash and cash equivalents at 30 June	**110,212**	149,930
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**19,537**	19,781
Short-term bank deposits	**90,675**	130,149
	110,212	149,930

Notes:

(a) The Group has initially applied HKFRS 16 at 1 January 2019 using modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

(b) The notes on pages 24 to 44 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in HK$ unless otherwise indicated)

1 General information

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

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

The functional currency of the Company is Hong Kong dollars ("**HK$**") and the functional currency of its operations in the PRC is Renminbi ("**RMB**"). The consolidated financial statements are presented in HK$.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 27 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

This interim financial report is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 17.

2 Basis of preparation (continued)

The financial information relating to the financial year ended 31 December 2018 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

3 Changes in accounting policies

(a) Overview

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 16, *Leases*
- HK(IFRIC)–Int 23, *Uncertainty over Income Tax Treatments*
- 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*

Except for HKFRS 16, *Leases,* none of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Changes in accounting policies (continued)

(a) Overview (continued)

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has applied HKFRS 16 since 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

3 **Changes in accounting policies (continued)**

(a) **Overview (continued)**

HKFRS 16, *Leases (continued)*

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

3 **Changes in accounting policies (continued)**

(a) **Overview (continued)**

HKFRS 16, *Leases (continued)*

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) *Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.9%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. when the lease term ends on or before 31 December 2019.

3 Changes in accounting policies (continued)

(a) Overview (continued)

HKFRS 16, *Leases (continued)*

(c) Transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 15(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as 1 January 2019:

	1 January 2019 $'000
Operating lease commitments at 31 December 2018	17,519
Less: commitments relating to leases exempt from capitalisation:	
— short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(584)
— leases of low-value assets	(17)
	16,918
Less: total future interest expenses	(2,584)
Total lease liabilities recognised at 1 January 2019	14,334

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

3 **Changes in accounting policies (continued)**

(a) **Overview (continued)**

HKFRS 16, *Leases (continued)*

(c) Transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 $'000	Capitalisation of operating lease contracts $'000	**Carrying amount at 1 January 2019 $'000**
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	—	12,553	**12,553**
Total non-current assets	560,754	12,553	**573,307**
Other payables and accrued expenses	25,987	(1,666)	**24,321**
Lease liabilities (current)	—	746	**746**
Current liabilities	26,459	(920)	**25,539**
Net current assets	124,364	920	**125,284**
Total assets less current liabilities	685,118	13,473	**698,591**
Lease liabilities (non-current)	—	13,588	**13,588**
Total non-current liabilities	83,391	13,588	**96,979**
Net assets	601,727	(115)	**601,612**
Retained profits	338,133	(115)	**338,018**
Total equity	601,727	(115)	**601,612**

3 **Changes in accounting policies (continued)**

(a) **Overview (continued)**

HKFRS 16, *Leases (continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments $'000	**Total minimum lease payments $'000**	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**2,497**	**2,568**	746	1,450
After 1 year but within 2 years	**1,151**	**1,164**	2,285	2,900
After 2 years but within 5 years	**—**	**—**	7,567	8,701
After 5 years	**—**	**—**	3,736	3,867
	1,151	**1,164**	13,588	15,468
	3,648	**3,732**	14,334	16,918
Less: total future interest expenses		**(84)**		(2,584)
Present value of lease liabilities		**3,648**		14,334

Due to the change in economic environment, the Group reassessed the lease liabilities of a lease arrangement at the end of the period since the Group was reasonably certain to exercise the early termination option of a lease agreement. Lease liabilities of HK$13,959,000 was reversed.

3 Changes in accounting policies (continued)

(a) Overview (continued)

HKFRS 16, *Leases (continued)*

(e) Impact on the financial result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's administrative expenses, finance costs and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

3 Changes in accounting policies (continued)

(a) Overview (continued)

HKFRS 16, *Leases (continued)*

(e) Impact on the financial result and cash flows of the Group (continued)

	Six months ended 30 June				
	2019				2018
	Amounts reported under HKFRS 16 (A) $'000	Add back: HKFRS 16 depreciation and interest expense (B) $'000	Deduct: Estimated rental expenses as if under HKAS 17 (C) $'000	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B–C) $'000	Compared to amounts reported for 2018 under HKAS 17 $'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Administrative expenses	(11,589)	1,571	(1,811)	(11,829)	(10,528)
(Loss)/profit from operations	(2,204)	1,571	(1,811)	(2,444)	3,270
Finance costs	(394)	394	—	—	—
(Loss)/profit before taxation	(2,598)	1,965	(1,811)	(2,444)	3,270
(Loss)/profit for the period	(4,576)	1,965	(1,811)	(4,422)	1,523

	Six months ended 30 June			
	2019			2018
	Amounts reported under HKFRS 16 (A) $'000	Estimated amounts as if under HKAS 17 (B) $'000	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) $'000	Compared to amounts reported under HKAS 17 $'000
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Net cash (used in)/generated from operating activities	(4,623)	(727)	(5,350)	1,219
Capital element of lease rentals paid	(694)	694	—	—
Interest element of lease rentals paid	(33)	33	—	—
Net cash used in financing activities	(727)	727	—	—

4 **Segment Information**

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

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

(1) Property investment in the PRC — leasing of investment properties situated in the PRC

(2) Trading of properties — sale of properties situated in the PRC including the short-term leasing of properties held for sales

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

The accounting policies of the reportable segments are the same as the Group's accounting policies. There were no inter-segment sales between different operating segments for the six months ended 30 June 2019 (six months ended 30 June 2018: nil). Segment revenue represents 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, unallocated finance costs, and unallocated income tax credit.

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

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

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

Information regarding the above segments is reported below.

4 **Segment Information (continued)**

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 six months ended 30 June 2019				
Reportable segment revenue	**11,767**	**194**	**—**	**11,961**
Reportable segment profit/(loss) after tax	**10,135**	**139**	**(8,287)**	**1,987**
Net corporate expenses				**(6,583)**
Unallocated income tax credit				**53**
Unallocated finance costs				**(33)**
Loss for the period				**(4,576)**

	Property investment in the PRC HK$'000	Trading of properties HK$'000	Total HK$'000
For the six months ended 30 June 2018			
Reportable segment revenue	12,264	274	12,538
Reportable segment profit after tax	8,313	144	8,457
Net corporate expenses			(7,088)
Unallocated income tax credit			154
Profit for the period			1,523

4 **Segment Information (continued)**

Segment assets and liabilities

	Property investment in the PRC HK$'000	**Trading of properties HK$'000**	**Automobile business HK$'000**	**Total HK$'000**
At 30 June 2019				
Reportable segment assets	**594,439**	**4,323**	**3,910**	**602,672**
Unallocated corporate assets				**104,488**
Consolidated total assets				**707,160**
Reportable segment liabilities	**88,959**	**15,798**	**1,044**	**105,801**
Unallocated corporate liabilities				**4,355**
Consolidated total liabilities				**110,156**

	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

Unallocated corporate assets mainly comprised of right-of-use assets and property, plant and equipment which are used by the Group's headquarters, trademark, 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.

4 **Segment Information (continued)**

Segment assets and liabilities (continued)

Unallocated corporate liabilities mainly comprised of corporate liabilities of the Group's headquarters which are not directly attributable to the business activities of any operating segment.

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

5 **Revenue**

Revenue represents rental income from properties.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Shops	**10,566**	11,048
Residential	**1,130**	1,209
Carpark	**265**	281
	11,961	12,538

The Group's customer base includes two (six months ended 30 June 2018: two) customers with whom transactions have exceeded 10% of the Group's revenue. During the six months ended 30 June 2019, revenue from rental income received from the two (six months ended 30 June 2018: two) customers in the "Property investment in the PRC" segment, amounted to approximately HK$6,980,000 and HK$1,760,000, respectively (six months ended 30 June 2018: approximately HK$7,258,000 and HK$1,868,000, respectively).

6 **(Loss)/profit before taxation**

(a) Finance costs

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest on leases liabilities	**394**	—

6 (Loss)/profit before taxation (continued)

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Amortisation of trademark	**7**	6
Depreciation charge		
— owned property, plant and equipment	**492**	471
— right-of-use assets	**1,571**	—
Interest income	**(783)**	(957)
Reversal of lease liabilities *(note 11)*	**(2,203)**	—
Exchange loss, net	**4**	433
Staff costs (including directors' emoluments)	**6,222**	5,878
Operating lease charges in respects of land and buildings	**—**	1,355
Short-term leases charges	**494**	—
Impairment loss on:		
— property, plant and equipment *(note 10)*	**7,881**	—
— trade and other receivables, prepayments and deposits	**268**	—
Other operating expenses	**8,149**	—
Gross rental income	**(11,961)**	(12,538)
Less: direct operating expenses	**910**	1,318
Net rental income	**(11,051)**	(11,220)

7 Income tax

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Current tax — PRC tax	**669**	852
Deferred tax	**1,309**	895
	1,978	1,747

7 Income tax (continued)

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

Accordingly, the provision for Hong Kong Profits Tax for the six months ended 30 June 2019 and 2018 is calculated in accordance with the two-tiered profits tax rate regime. 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 six months ended 30 June 2019 and 2018, respectively.

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%.

Income tax arising from certain Hong Kong subsidiaries' operations in the PRC is calculated at tax rate of 10% (six months ended 30 June 2018: 10%) on the rental income earned by these Hong Kong subsidiaries for the six months ended 30 June 2019.

8 (Loss)/earnings per share

The calculation of basic and diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately HK$4,576,000 (six months ended 30 June 2018: profit of approximately HK$1,523,000) and the weighted average of 345,374,910 ordinary shares (2018: 345,374,910 shares) in issue during the interim period.

There was no difference between the basic and diluted (loss)/earnings per share as there were no dilutive potential shares outstanding for the periods presented.

9 Investment properties

In April 2019, the Group acquired 11 contiguous double-deck shop units in Anshan City at a cash consideration (tax inclusive) of approximately HK$22,850,000 from Liaoning Jijia Property Development Co., Limited (遼寧集佳房屋開發有限公司) ("Liaoning Jijia") and classified these properties as investment properties. The mother of Mr. Jiang Tian ("Mr. Jiang") (the chairman, the executive director and the controlling shareholder of the Company) is a supervisor of Liaoning Jijia. Liaoning Jijia is indirectly held by two individuals, Mr. Lu (呂林橋) and Ms. Du (杜巧玲). Mr. Lu is the grandson of Mr. Jiang's great-grandfather's brother and Ms. Du is the cousin of Mr. Jiang's mother. Despite the above disclosed relationship, the management of the Company considers that Liaoning Jijia is an independent third party.

The valuations of investment properties carried at fair value were performed by the Group's independent valuer, Asset Appraisal Limited, using the same valuation techniques as were used by this valuer when carrying out the valuation for the year ended 31 December 2018. A net loss of approximately HK$2,846,000 (six months ended 30 June 2018: gain of approximately HK$1,613,000) has been recognised in profit or loss for the period in respect of investment properties. In addition, a gain of approximately HK$6,343,000 was recognised in profit or loss for the six months ended 30 June 2019 when a property held for sale was transferred to investment property and remeasured at fair value.

10 Property, plant and equipment

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a cost of approximately HK$1,435,000 (six months ended 30 June 2018: approximately HK$216,000). During the six months ended 30 June 2019, the retail market for automobiles in the PRC has been seriously affected by the impact of the reduction of government subsidies for new energy vehicles and the trade conflict between the U.S. and China. The Group estimated the recoverable amount to be nil based on value-in-use calculation and made full impairment loss of approximately HK$7,881,000 on property, plant and equipment in relation to the automobile business (six months ended 30 June 2018: nil).

11 Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17.

During the six months ended 30 June 2019, the Group entered into a lease agreements for use of office premise in Hong Kong, and therefore recognised the additions to right-of-use assets of HK$3,381,000. Due to the change in economic environment, the Group reassessed the lease liabilities since the Group would be reasonably certain to exercise the early termination option of a lease agreement for the automobile segment. The right-of-use assets were reduced by HK$11,756,000 as the result of the reassessment. Other net income of HK$2,203,000 has been recognised in the profit or loss as the result of the reversal of lease liabilities.

12 Trade and other receivables, prepayments and deposits

As at the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance is as follows:

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
0–30 days	**1,457**	1,430
31–60 days	**761**	—
Trade receivables, net of loss allowance	**2,218**	1,430
Prepayments, deposits and other receivables, net of loss allowance	**11,901**	8,605
Carrying amount	**14,119**	10,035
Less: current portion	**(4,625)**	(3,357)
Non-current portion	**9,494**	6,678

12 Trade and other receivables, prepayments and deposits (continued)

Rents from leasing of properties are normally received in advance without credit terms to tenants. At 30 June 2019, trade receivables of approximately HK$2,218,000 (31 December 2018: approximately HK$1,430,000) were past due.

13 Capital, reserves and dividends

(a) Dividends

Interim dividends

No interim dividend was declared and paid for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

(b) Share capital

	At 30 June 2019		At 31 December 2018	
	Number of shares	**Amounts HK$'000**	Number of shares	Amounts HK$'000
Ordinary shares, issued and fully paid	**345,374,910**	**193,246**	345,374,910	193,246

14 Fair value measurement of financial instruments

(a) Financial assets and liabilities measured at fair value

At 30 June 2019 and 31 December 2018, the Group did not have any financial assets or liabilities measured at fair value.

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair value as at 31 December 2018 and 30 June 2019.

15 Commitments

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2019 HK$'000	At 31 December 2018 HK$'000
Renovation for leasehold improvement — contracted but not provided for	**1,095**	1,517

15 Commitments (continued)

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties	**Others**
	$'000	$'000
Within 1 year	2,034	7
After 1 year but within 5 years	11,601	10
After 5 years	3,867	—
	17,502	17

The Group is the lessee in respect of a number of properties and items of office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

16 Related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group was as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Fees, salaries, other benefits and retirement benefit costs	**3,633**	3,876

Total remuneration was included in "staff costs" (see note 6).

16 Related party transactions (continued)

(b) Other related party transactions

During the six months ended 30 June 2018, the Group entered into transactions with the following related party:

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

* The ultimate controlling party of the Group disposed of its entire interest in this entity indirectly in March 2018 and further ceased being the key management personnel of this entity in September 2018. This entity therefore ceased to be a related party of the Group since September 2018.

(i) Significant related party transactions

Particulars of significant transactions between the Group and the above related party were as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Office rental expense	—	638
Staff messing and accommodation expense	—	131

17 Immediate and ultimate controlling party

At 30 June 2019, the directors of the Company consider the immediate parent of the Group to be Hopevision Group Ltd., a company which was incorporated in Seychelles and the ultimate controlling party of the Group is Mr. JIANG Tian.

18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2019

A number of amendments and new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted. The Group has not early adopted any new or amended standards in preparing this interim financial report. These standards are not expected to have a material impact on the Group's consolidated financial statements.

19 Event after the reporting period

Due to the change in situation for the automobile market in the PRC, the Board resolved to cease the development of the Automobile City and will deregister Shanghai Chengzhi Automobile Sales Co, Ltd.,* (上海誠郅汽車銷售有限公司) and Shanghai Tian Xi Vehicle Service Company* (上海天禧車業服務有限公司), each a wholly-owned subsidiary of the Company, in the second half of 2019, respectively.

20 Comparative figures

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

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