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## **Royal China International Holdings Limited**

**皇中國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1683)**

### **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

The board (the “Board”) of directors (the “Directors”) of Royal China International Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2018 (the “FY2018”), together with the comparative audited figures for the fifteen months ended 31 December 2017 (the “Relevant 2017 Period”) as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2018*

		Year ended 31 December 2018 <i>HK\$'000</i>	Fifteen months ended 31 December 2017 <i>HK\$'000</i>
	<i>Notes</i>		
Revenue	3	187,314	157,397
Cost of sales		<u>(142,636)</u>	<u>(106,258)</u>
Gross profit		44,678	51,139
Other revenue and other gains	4	1,393	1,523
Other operating expenses		(1,167)	(1,954)
Administrative expenses		<u>(59,052)</u>	<u>(56,998)</u>
Loss before taxation	5	(14,148)	(6,290)
Taxation	6	<u>(2,478)</u>	<u>(2,982)</u>
Loss for the year/period		<u>(16,626)</u>	<u>(9,272)</u>
 <b>Other comprehensive (loss)/income for the year/period, net of income tax:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of financial statement of foreign operations		<u>(6)</u>	<u>1</u>
<b>Other comprehensive (loss)/income for the year/period</b>		<u>(6)</u>	<u>1</u>
<b>Total comprehensive loss for the year/period</b>		<u><u>(16,632)</u></u>	<u><u>(9,271)</u></u>

	<b>Year ended</b>	Fifteen
	<b>31 December</b>	months ended
	<b>2018</b>	31 December
<i>Notes</i>	<b>HK\$'000</b>	2017
		<b>HK\$'000</b>
<b>(Loss)/profit for the year/period attributable to:</b>		
Owners of the Company	(17,373)	(10,193)
Non-controlling interests	<u>747</u>	<u>921</u>
	<b><u>(16,626)</u></b>	<b><u>(9,272)</u></b>
<b>Total comprehensive (loss)/income for the year/period attributable to:</b>		
Owners of the Company	(17,379)	(10,192)
Non-controlling interests	<u>747</u>	<u>921</u>
	<b><u>(16,632)</u></b>	<b><u>(9,271)</u></b>
Loss per share:		
Basic and diluted (HK cents)	8 <u>(3.47)</u>	<u>(2.04)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

	<i>Notes</i>	<b>As at 31 December 2018 HK\$'000</b>	<b>As at 31 December 2017 HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,688</b>	5,895
Trading licence	9	<b>10,000</b>	10,000
		<b>13,688</b>	15,895
<b>Current assets</b>			
Trade receivables	10	<b>14,780</b>	28,602
Amounts due from customers for contract work	11	–	5,007
Contract assets	12	<b>3,964</b>	–
Deposits, prepayments and other receivables	13	<b>21,613</b>	16,344
Income tax recoverable		<b>177</b>	1,215
Cash and bank balances		<b>105,783</b>	134,524
		<b>146,317</b>	185,692
<b>Current liabilities</b>			
Trade payables	14	<b>16,021</b>	22,774
Amounts due to customers for contract work	11	–	374
Contract liabilities	12	<b>873</b>	–
Accrued expenses and other payables	15	<b>12,401</b>	26,197
		<b>29,295</b>	49,345
<b>Net current assets</b>		<b>117,022</b>	136,347
<b>Total assets less current liabilities</b>		<b>130,710</b>	152,242
<b>Net assets</b>		<b>130,710</b>	152,242
<b>Capital and reserves</b>			
Share capital		<b>5,000</b>	5,000
Reserves		<b>125,710</b>	142,151
Equity attributable to owners of the Company		<b>130,710</b>	147,151
Non-controlling interests		–	5,091
<b>Total equity</b>		<b>130,710</b>	152,242

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

### 1. GENERAL INFORMATION

Royal China International Holdings Limited (the “Company”) was incorporated in Cayman Islands on 19 January 2015 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 21/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 8 September 2015.

The Company has changed its financial year end date from 30 September to 31 December because the Group would like to align the Company’s financial year end date with that of certain subsidiaries of the Company. As a result of this, the final results covered a period of fifteen months ended 31 December 2017. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the period of fifteen months ended 31 December 2017 and therefore may not be comparable with amounts shown for the current year.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred hereafter as the “Group”) are principally engaged in construction and ancillary services which include design, fitting-out, decoration, alteration and addition, construction and other related businesses, aviation and traveling services and financial services.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise stated.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2018 are consistent with those followed in the preparation of the Group's annual financial statements for the fifteen months ended 31 December 2017 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2018. A summary of the new and revised HKFRSs applied by the Group is set out as follows:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfer of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i>
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior periods and/or on the disclosures set out in the consolidated financial statements.

The above new and revised HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

**(a) Impact on the consolidated financial statements**

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new and revised HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

<b>Consolidated statement of financial position (extract)</b>	<b>31 December 2017 HK\$'000</b>	<b>HKFRS 15 HK\$'000</b>	<b>1 January 2018 HK\$'000</b>
<b>Current assets</b>			
Amounts due from customers			
for contract work	5,007	(5,007)	–
Contract assets	–	5,462	5,462
Deposits, prepayments and other receivables	16,344	(455)	15,889
	<u>16,344</u>	<u>(455)</u>	<u>15,889</u>
<b>Current liabilities</b>			
Amounts due to customers			
for contract work	374	(374)	–
Contract liabilities	–	17,124	17,124
Accrued expenses and other payables	26,197	(16,750)	9,447
	<u>26,197</u>	<u>(16,750)</u>	<u>9,447</u>

**(b) Amendments to HKAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

(c) **HKFRS 9 *Financial Instruments***

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

(i) *Classification and measurement*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (“FVOCI”) and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets are managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including) interest are recognised in profit or loss.



An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

There is no reclassification or remeasurement of the financial assets, including cash and cash equivalents, trade receivables, deposits and other receivables for the adoption of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

(ii) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables and contract assets. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on internal credit rating. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, time deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

(d) **HKFRS 15 Revenue from Contracts with Customers and the related amendments**

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts and the related interpretations*.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- provision of construction and ancillary services
- provision of aviation and traveling services
- provision of financial services

The Group recognises revenue from the above sources which arise from contracts with customers. Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes to the consolidated financial statement.

Except the reclassification, as the table shown below, of amounts due from customers for contract work and retention sum receivables under deposits, prepayments and other receivables to contract assets and amounts due to customers for contract work and deposits received from customers for construction work under accrued expenses and other payables to contract liabilities and further disclosure set as related note in the consolidated financial statements, the Directors believe that the application of HKFRS 15 has no impact on the amounts reported set out in the consolidated financial statements.

	<b>Carrying amounts previously reported at 31 December 2017 HK\$'000</b>	<b>Reclassification HK\$'000</b>	<b>Carrying amounts under HKFRS 15 at 1 January 2018 HK\$'000</b>
<b>Current assets</b>			
Amounts due from customers			
for contract work <i>(note (i))</i>	5,007	(5,007)	–
Deposits, prepayments and other receivables <i>(note (i))</i>	16,344	(455)	15,889
Contract assets <i>(note (i))</i>	–	5,462	5,462
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Current liabilities</b>			
Amounts due to customers for contract work <i>(note (i))</i>	374	(374)	–
Accrued expenses and other payables <i>(note (ii))</i>	26,197	(16,750)	9,447
Contract liabilities <i>(note (i), (ii))</i>	–	17,124	17,124
	<u>          </u>	<u>          </u>	<u>          </u>

*Notes:*

- (i) In relation to construction contracts previously accounted under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK\$5,007,000, HK\$374,000 and HK\$455,000 of amounts due from/to customers for contract work, retention sum receivables previously included in deposits, prepayments and other receivables were reclassified to contract assets and contract liabilities respectively.
- (ii) At 1 January 2018, receipt in advance of HK\$16,750,000 in respect of construction contracts previously included in accrued expenses and other payables were reclassified to contract liabilities.

## Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

## Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) <i>HK\$'000</i>	Hypothetical amounts under HKASs 18 and 11 (B) <i>HK\$'000</i>	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A) – (B) <i>HK\$'000</i>
<b>Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:</b>			
Contract assets	3,964	–	3,964
Amounts due from customers for contract work	–	1,714	(1,714)
Deposits, prepayments and other receivables	21,613	23,863	(2,250)
<b>Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 impacted by the adoption of HKFRS 15:</b>			
Decrease in contract assets	1,043	–	1,043
Decrease in amounts due from customers for contract work	–	3,293	(3,293)
Increase in deposits, prepayments and other receivables	(5,284)	(7,534)	2,250
Increase in contract liabilities	499	–	499
Increase in amounts due to customers for contract work	–	499	(499)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material <sup>3</sup>
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement <sup>1</sup>
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures <sup>1</sup>
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>
HKFRS 3 (Amendments)	Definition of a business <sup>2</sup>
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation <sup>1</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>4</sup>
HK (IFRIC)–Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>5</sup> Effective for annual periods beginning on or after a date to be determined.

### 3. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision-makers, review the Group's internal reporting in order to assess performance and allocate resources. Information reported to the chief operating decision marker, for the purpose of resources allocation and performance assessment, focuses on the types of goods or services delivered or provided.

The Group has three reportable segments under HKFRS 8 as follows:

- (a) Construction and ancillary services – design, fitting-out, decoration, alteration and addition, construction and other related businesses.
- (b) Aviation and traveling services – aircraft management service, service of aircraft sales and aircraft leasing ancillary service.
- (c) Financial services – precious metal trading business and financial advisory service.

**Segment revenue and results**

	<b>Construction and ancillary services HK\$'000</b>	<b>Aviation and traveling services HK\$'000</b>	<b>Financial services HK\$'000</b>	<b>Total HK\$'000</b>
<b>Year ended 31 December 2018</b>				
Segment revenue	<u>150,832</u>	<u>36,482</u>	<u>–</u>	<u>187,314</u>
Segment results	<u>22,077</u>	<u>3,432</u>	<u>(2,834)</u>	<u>22,675</u>
Unallocated corporate income				258
Unallocated corporate expense				<u>(37,081)</u>
Loss before taxation				(14,148)
Taxation				<u>(2,478)</u>
Loss for the year				<u><u>(16,626)</u></u>

	<b>Construction and ancillary services HK\$'000</b>	<b>Aviation and traveling services HK\$'000</b>	<b>Financial services HK\$'000</b>	<b>Total HK\$'000</b>
<b>Fifteen months ended 31 December 2017</b>				
Segment revenue	<u>128,270</u>	<u>28,010</u>	<u>1,117</u>	<u>157,397</u>
Segment results	<u>20,416</u>	<u>8,152</u>	<u>(3,832)</u>	24,736
Unallocated corporate income				620
Unallocated corporate expense				<u>(31,646)</u>
Loss before taxation				(6,290)
Taxation				<u>(2,982)</u>
Loss for the period				<u><u>(9,272)</u></u>

Segment results represent the profit earned by or loss from each segment without allocation of unallocated corporate income and unallocated corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year/period.

**Segment assets and liabilities**

	<b>Construction and ancillary services HK\$'000</b>	<b>Aviation and traveling services HK\$'000</b>	<b>Financial services HK\$'000</b>	<b>Total HK\$'000</b>
<b>As at 31 December 2018</b>				
<b>Assets</b>				
Segment assets	49,083	6,694	27,026	82,803
Unallocated assets				<u>77,202</u>
Consolidated total assets				<u><u>160,005</u></u>
<b>Liabilities</b>				
Segment liabilities	8,722	19,060	51	27,833
Unallocated liabilities				<u>1,462</u>
Consolidated total liabilities				<u><u>29,295</u></u>

	<b>Construction and ancillary services HK\$'000</b>	<b>Aviation and traveling services HK\$'000</b>	<b>Financial services HK\$'000</b>	<b>Total HK\$'000</b>
<b>As at 31 December 2017</b>				
<b>Assets</b>				
Segment assets	56,342	30,527	22,851	109,720
Unallocated assets				<u>91,867</u>
Consolidated total assets				<u><u>201,587</u></u>
<b>Liabilities</b>				
Segment liabilities	26,434	17,889	1,440	45,763
Unallocated liabilities				<u>3,582</u>
Consolidated total liabilities				<u><u>49,345</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising cash and cash equivalents and deposits and prepayments); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising other payables and accruals).

**Other segment information**

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended 31 December 2018</b>					
Capital expenditure	-	-	376	354	730
Depreciation	869	133	56	1,879	2,937
Gain on disposal of property, plant and equipment	150	-	-	-	150
	<u>150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>

	Construction and ancillary services <i>HK\$'000</i>	Aviation and traveling services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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**Fifteen months ended  
31 December 2017**

Capital expenditure	1,473	796	125	2,549	4,943
Depreciation	1,459	83	15	1,062	2,619
Impairment loss recognised on trade receivables	1,091	-	-	-	1,091
Loss on disposal of property, plant and equipment	168	-	-	-	168
	<u>168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168</u>

## Revenue from major services

The Group's revenue from its major services during the year/period is as follows:

	<b>Year ended 31 December 2018 HK\$'000</b>	Fifteen months ended 31 December 2017 HK\$'000
Design and/or decoration service income	16,271	33,546
Design, fitting-out and decoration service income	134,561	94,724
Aircraft management service income	36,482	20,041
Aircraft leasing ancillary service income	–	234
Commission income from acting as an agent for purchasing business jet	–	7,735
Financial advisory service income	–	500
Sales of precious metal	–	617
	<u>187,314</u>	<u>157,397</u>

The reconciliation of revenue from contracts with customers is as follows:

	<b>Year ended 31 December 2018 HK\$'000</b>
Recognised over time:	
Design and/or decoration service income	16,271
Design, fitting-out and decoration service income	134,561
	<u>150,832</u>
Recognised at a point in time:	
Aircraft management service income	36,482
	<u>187,314</u>



**Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date**

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its construction contracts such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the construction contracts as all contract works have an original expected duration of one year or less.

**Geographical information**

The Group's operations are located in Hong Kong, People's Republic of China (the "PRC") and Macau.

The Group's geographical segments are classified according to the location of customers. There are three customer-based geographical segments. Segment revenue from external customers by the location of customers during the year/period is as follows:

**Revenue from external customers**

	<b>Year ended 31 December 2018 HK\$'000</b>	Fifteen months ended 31 December 2017 HK\$'000
Hong Kong	182,428	111,336
PRC	4,886	44,561
Macau	—	1,500
	<u>187,314</u>	<u>157,397</u>

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are detailed below:

	<b>As at 31 December 2018 HK\$'000</b>	31 December 2017 HK\$'000
Hong Kong	<u>13,688</u>	<u>15,895</u>

### Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of the total revenue of the Group is as follows:

	<b>Year ended</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	Fifteen months ended 31 December 2017 <i>HK\$'000</i>
Customer A*	45,887	–
Customer B	63,384	18,535
Customer C*	–	22,607
Customer D*	–	21,520
Customer E*	–	16,721
Customer F	36,482	20,041
	<u>                    </u>	<u>                    </u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective year/period.

#### 4. OTHER REVENUE AND OTHER GAINS

	<b>Year ended</b> <b>31 December</b> <b>2018</b> <i>HK\$'000</i>	Fifteen months ended 31 December 2017 <i>HK\$'000</i>
<b>Other revenue</b>		
Bank interest income	271	623
Other operating income	851	823
Sundry income	46	–
	<u>                    </u>	<u>                    </u>
	1,168	1,446
<b>Other gains</b>		
Gain on disposal of property, plant and equipment	150	–
Net exchange gains	75	77
	<u>                    </u>	<u>                    </u>
<b>Total</b>	<u>                    </u> <u>                    </u>	<u>                    </u> <u>                    </u>

## 5. LOSS BEFORE TAXATION

	<b>Year ended 31 December 2018 HK\$'000</b>	Fifteen months ended 31 December 2017 HK\$'000
Loss before taxation has been arrived at after charging/(crediting):		
Directors' emoluments	9,654	11,081
Salaries, wages and other benefits (excluding directors' emoluments)	20,332	13,251
Pension scheme contributions (excluding directors' emoluments)	537	412
	<u>20,869</u>	<u>13,663</u>
Auditors' remuneration		
Audit services	880	850
Non-audit services	155	63
Impairment loss recognised on trade receivables	–	1,091
Allowance for credit losses	217	–
(Gain)/loss on disposal of property, plant and equipment	(150)	168
Depreciation of property, plant and equipment	2,937	2,619
Minimum lease payments under operating leases in respect of office premises	9,957	9,684
	<u>9,957</u>	<u>9,684</u>

## 6. TAXATION

	<b>Year ended 31 December 2018 HK\$'000</b>	Fifteen months ended 31 December 2017 HK\$'000
Current tax:		
Hong Kong		
Provision for the year/period	2,424	3,062
Under/(over)-provision in previous period/year	54	(80)
	<u>2,478</u>	<u>2,982</u>
Current tax expense	<u>2,478</u>	<u>2,982</u>

The provision for Hong Kong Profits Tax for the year ended 31 December 2018 is calculated at 8.25% (fifteen months ended 31 December 2017: 16.5%) of the first HK\$2,000,000 and 16.5% (fifteen months ended 31 December 2017: 16.5%) of the remaining estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2017-18 subject to a maximum reduction of HK\$30,000 for each business (fifteen months ended 31 December 2017: a maximum reduction of HK\$20,000 was granted for the year of assessment 2016-17 and was taken into account in calculating the provision for the fifteen months ended 31 December 2017).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI during the year ended 31 December 2018 and fifteen months ended 31 December 2017.

The subsidiary of the Group established in the PRC is subject to PRC Enterprise Income Tax on its taxable income at an income tax rate of 25%.

No provision for the PRC Enterprise Income Tax has been made as the subsidiary operated in the PRC had no assessable profits for the year ended 31 December 2018 (fifteen months ended 31 December 2017: nil).

No deferred tax has been provided for as there were no material differences.

## **7. DIVIDENDS**

The Directors do not propose any payment of final dividend for the year ended 31 December 2018 (fifteen months ended 31 December 2017: Nil).

## **8. LOSS PER SHARE**

The calculation of the basic loss per share for the year ended 31 December 2018 is based on the loss for the year attributable to owners of the Company of approximately HK\$17,373,000 (fifteen months ended 31 December 2017: loss of HK\$10,193,000) and the weighted average number of ordinary shares in issue of 500,000,000 (fifteen months ended 31 December 2017: 500,000,000).

Diluted loss per share for the year ended 31 December 2018 and the fifteen months ended 31 December 2017 were the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the year/period.

## 9. TRADING LICENCE

	As at	
	31 December 2018 <i>HK\$'000</i>	31 December 2017 <i>HK\$'000</i>
Cost of membership for a seat at The Chinese Gold and Silver Exchange Society (“CGSE”) ( <i>note (a)</i> )	<u>10,000</u>	<u>10,000</u>

*Note:*

- (a) During the fifteen months ended 31 December 2017, the Group has acquired ordinary membership of the CGSE from an independent third party at a consideration of HK\$10,000,000.

The above trading licence has indefinite useful life and was stated at cost less any impairment losses.

## 10. TRADE RECEIVABLES

	As at	
	31 December 2018 <i>HK\$'000</i>	31 December 2017 <i>HK\$'000</i>
Trade receivables	14,982	28,602
Less: Allowance for credit losses	<u>(202)</u>	<u>–</u>
	<u>14,780</u>	<u>28,602</u>

The Group’s credit term with its customers is, in general, 7 to 45 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

The aging analysis of the trade receivables, net of allowance for credit losses, based on the invoice date is as follows:

	As at	
	31 December 2018 <i>HK\$'000</i>	31 December 2017 <i>HK\$'000</i>
Current to 30 days	7,338	12,738
31 – 60 days	1,563	11,773
61 – 90 days	4,476	1,425
Over 90 days	<u>1,403</u>	<u>2,666</u>
	<u>14,780</u>	<u>28,602</u>

## 11. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	As at	
	31 December 2018 <i>HK\$'000</i>	31 December 2017 <i>HK\$'000</i>
<b>Amounts due from customers for contract work</b>		
Contract costs incurred plus recognised profits less recognised losses	-*	8,933
Less: Progress billings received and receivables	-*	(3,926)
	-*	5,007
	-*	5,007

	As at	
	31 December 2018 <i>HK\$'000</i>	31 December 2017 <i>HK\$'000</i>
<b>Amounts due to customers for contract work</b>		
Progress billings received and receivables	-*	22,980
Less: Contract costs incurred plus recognised profits less recognised losses	-*	(22,606)
	-*	374
	-*	374

All gross amounts due from/to customers for contract work are expected to be recovered/settled within one year.

- \* Due to the adoption of HKFRS 15, effective on 1 January 2018, the balance of amounts due from/to customers for contract work were reclassified to contract assets and contract liabilities (Notes 2(d) and 12).

## 12. CONTRACT ASSETS/LIABILITIES

	As at	
	31 December 2018 HK\$'000	31 December 2017 HK\$'000
<b>Contract asset:</b>		
Construction services	1,714	–
Retention receivables	2,250	–
	<u>3,964</u>	<u>–</u>
<b>Contract liabilities:</b>		
Construction services	873	–
	<u>873</u>	<u>–</u>

The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018 (Note 2(d)).

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The balance of contract assets and contract liabilities are expected to be recovered/settled within one year.

The terms of some construction contracts stipulate that the customers withhold a portion of total contract sum (usually 5%) and will be settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract.

Movement in the contract assets balances during the year ended 31 December 2018 is as follows:

**Contract assets:**

	<i>HK\$'000</i>
As at 31 December 2017	–
Reclassification from amounts due from customers for contract work upon the adoption of HKFRS 15	5,007
Reclassification from deposits, prepayments and other receivables upon the adoption of HKFRS 15	455
	<hr/>
As at 1 January 2018	5,462
Rights of consideration for works amplitude but not yet billed	1,714
Transfers from the contract assets recognised to trade receivables	(5,007)
Retention receivables released	(455)
Retention receivables recognised	2,250
	<hr/>
As at 31 December 2018	<u><u>3,964</u></u>

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	<i>HK\$'000</i>
Within one year	<u><u>3,964</u></u>

Typical payment terms which impact on the amount of contract assets recognised are as follows:

*Construction contract works*

The Group's contract work include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. A deposit is typically payable up front and this has resulted in a contract liability at early stages of the project. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.



Movement in the contract liabilities balances during the year ended 31 December 2018 is as follows:

**Contract liabilities:**

	<i>HK\$'000</i>
As at 31 December 2017	–
Reclassification from amounts due to customers for contract work upon the adoption of HKFRS 15	374
Reclassification from accrued expenses and other payables upon the adoption of HKFRS 15	16,750
	<hr/>
As at 1 January 2018	17,124
Consideration received from customers over the amounts of revenue recognised	10,967
Revenue recognised during the year	(10,468)
Deposits received from customers for construction work released	(16,750)
	<hr/>
As at 31 December 2018	873
	<hr/> <hr/>

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

*Construction contract works*

When the Group receives a deposit before the contract work commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. It is common practice on the Group's construction contracts to require a deposit before work commences.

**13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	As at	
	31 December 2018 <i>HK\$'000</i>	31 December 2017 <i>HK\$'000</i>
Deposits	9,945	12,252
Prepayments	3,657	3,614
Interest receivables	–	23
Other receivables	8,026	–
Retention receivables	–*	455
	<hr/>	<hr/>
	21,628	16,344
Less: Allowance for credit losses	(15)	–
	<hr/>	<hr/>
	21,613	16,344
	<hr/> <hr/>	<hr/> <hr/>

\* Due to the adoption of HKFRS 15, effective on 1 January 2018, the balance of retention receivables were reclassified to contract assets (Note 2(d) and 12).

#### 14. TRADE PAYABLES

	As at	
	31 December 2018 HK\$'000	31 December 2017 HK\$'000
Trade payables	<u>16,021</u>	<u>22,774</u>

The aging analysis of trade payables, based on the invoice date is as follows:

	As at	
	31 December 2018 HK\$'000	31 December 2017 HK\$'000
Current to 30 days	955	12,502
31 – 60 days	2,703	7,384
61 – 90 days	788	1,764
Over 90 days	<u>11,575</u>	<u>1,124</u>
	<u>16,021</u>	<u>22,774</u>

The credit period on purchases of certain goods and services is within 7 to 90 days.

#### 15. ACCRUED EXPENSES AND OTHER PAYABLES

	As at	
	31 December 2018 HK\$'000	31 December 2017 HK\$'000
Other payables	7,362	178
Accrued expenses	5,039	5,545
Receipt in advances	<u>-*</u>	<u>20,474</u>
	<u>12,401</u>	<u>26,197</u>

\* Due to the adoption of HKFRS 15, effective on 1 January 2018, the balance of receipt in advances were reclassified to contract liabilities (Note 2(d) and 12).

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the results of the Group for the year ended 31 December 2018 (“FY2018”), together with the comparative figures for the fifteen months ended 31 December 2017 (the “Relevant 2017 Period”).

### FINANCIAL REVIEW

During the FY2018, the revenue of the Group increased by approximately 19.0% to approximately HK\$187.3 million mainly due to the increase in revenue from non-residential projects of construction and ancillary services and aviation and traveling services. The loss attributable to the owners of the Company increased by 70.4% to approximately HK\$17.4 million for the FY2018 mainly due to the decrease in gross profit margin from the construction and ancillary services and the increase in operating expenses of the Group.

### BUSINESS REVIEW

The Group’s business segments include three major segments, namely construction and ancillary services, aviation and traveling services and financial services.

During the FY2018, the revenue of the Group was increased by 19.0% to HK\$187.3 million (the Relevant 2017 Period: HK\$157.4 million).

	Year ended		Fifteen months ended	
	31 December 2018		31 December 2017	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Construction and ancillary services	<b>150,832</b>	<b>80.5</b>	128,270	81.5
Aviation and traveling services	<b>36,482</b>	<b>19.5</b>	28,010	17.8
Financial services	–	–	1,117	0.7
Revenue	<b>187,314</b>	<b>100</b>	157,397	100

## **CONSTRUCTION AND ANCILLARY SERVICES**

Construction and ancillary services which include design, fitting-out, decoration, alteration and addition, conduction and other related businesses were the focus of our Group business during the FY2018. During the FY2018, the revenue from construction and ancillary services increased by 17.6% to HK\$150.8 million (the Relevant 2017 Period: HK\$128.3 million). The increase in the revenue from this segment mainly due to the contribution from non-residential projects of construction and ancillary services.

In the FY2018, the major customers of the Group were mostly well-established listed property developers based in Hong Kong. Since the second half of 2018, Hong Kong resident property market was affected by unfavorable market conditions such as trade war between United States of America and China and interest hikes in the United States of America. In order to reduce the reliance on Hong Kong property market, the Group has started to broaden customer base to non-residential customers and explore business opportunities of construction and ancillary services in Guangdong-Hong Kong-Macao Greater Bay Area.

## **AVIATION AND TRAVELING SERVICES**

During the FY2018, the revenue from aviation and traveling services recorded HK\$36.5 million (the Relevant 2017 Period: HK\$28.0 million).

### **Aircraft management service**

The Group provided aircraft management service for our customers including flight scheduling, aircraft maintenance and crew management. During the FY2018, the revenue from aircraft management service was HK\$36.5 million (the Relevant 2017 Period: HK\$20.0 million).

On 13 April 2018, Smart Empire Global Limited (“Smart Empire”), an indirect wholly-owned subsidiary of the Company, BAA Jet Management Limited (“BAA”), a top business jet management company in China and Himalaya Business Aviation Limited (“HBA”), an indirect non wholly-owned subsidiary of the Company entered into the conditional sale and purchase agreement dated 13 April 2018 (the “Acquisition Agreement”), pursuant to which Smart Empire conditionally agreed to acquire 49% equity interest in HBA from BAA, for consideration of HK\$4,900,000. The completion of the Acquisition Agreement (the “Completion”) has taken place on 20 April 2018. Upon the Completion, BAA ceased to hold any equity interests in HBA and ceased to be a connected person of the Company in subsidiary level of the Company. For details of Acquisition Agreement, please refer to the announcements of the Company dated 13 April 2018 and 20 April 2018.

In July 2018, all the aircraft management agreements of the Group were terminated.

## **FINANCIAL SERVICES**

During the FY2018, there is no revenue generated from the segment of financial services (the Relevant 2017 Period: HK\$1.1 million).

### **Precious metal trading**

The Group obtained the ordinary membership (the “Membership”) of The Chinese Gold & Silver Exchange Society (the “CGSE”) in September 2017. Found in 1910, CGSE is the sole exchange in Hong Kong which trades physical gold and silver. Run on a membership-based system, CGSE provides an exchange, facilities and related services for its members or transaction of precious metals. The Membership allows its holder to provide trading services of gold, silver and precious metals for its customers and molding of physical gold/silver bullion under physical gold and silver.

During the FY2018, there is no revenue generated from precious metal trading (the Relevant 2017 Period: HK\$0.6 million).

### **Financial service**

On 14 March 2018, the Group obtained the licenses for regulated activities under Securities and Futures Ordinance (the “SFO”) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined in the SFO). The Group is exploring and developing business opportunities in financial services including dealing in securities, advising on securities, asset management and financing business.

### **Administrative expenses**

The administrative expenses increased by HK\$2.1 million from HK\$57.0 million in the Relevant 2017 Period to HK\$59.1 million in FY2018. The increase was mainly due to the increase in operating expenses of the Group.

### **Loss for the year**

The Group recorded the loss attributable to the owners of the Company of HK\$17.4 million in FY2018 as compared to the loss of HK\$10.2 million in the Relevant 2017 Period mainly due to the decrease in gross profit margin from construction and ancillary services and the increase in operating expenses for the Group.

## **PROSPECT**

In February 2019, the plan for the Greater Bay Area development was released. The plan targets to transform Hong Kong and 10 cities around the Pearl River Delta into a thriving global center of technology, innovation and economic vibrancy. The blueprint planned to consolidate and enhance Hong Kong's status as an international finance, transportation and trade center, as well as an international aviation hub.

Under this favorable environment, the Group will continue to broaden its customer bases of construction and ancillary services to non-residential customers in order to reduce our reliance on residential projects of Hong Kong residential projects of Hong Kong based property developers and uncertainty of Hong Kong property market. The Group will also explore business opportunities of construction and ancillary services in Guangdong-Hong Kong-Macao Greater Bay Area and financial services including dealing in securities, advising on securities, asset management, financing business and other business/investment opportunities for enhancing our future development and strengthening our revenue bases.

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

As at 31 December 2018, the Group had 26 employees (31 December 2017: 40) in Hong Kong and the PRC. The total remuneration paid by the Group to its employees (including Directors) for FY2018 was HK\$30.5 million (the Relevant 2017 Period: HK\$24.7 million).

The objective of the Group's remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration paid to its employees (including Directors and senior management), the following factors are considered:

- workload, responsibility and job complexity;
- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- market rates and changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

In addition to salaries, provident fund scheme and medical insurance coverage and discretionary bonuses are available to employees. Level of remuneration is reviewed annually. During the review process, no individual director is involved in decisions relating to his/her own remuneration.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2018, the Group had a total cash and bank balances of HK\$105.8 million (31 December 2017: HK\$134.5 million) mainly denominated in Hong Kong dollars.

The Group continued to maintain a healthy liquidity position. As at 31 December 2018, the Group had net current assets of HK\$117.0 million (31 December 2017: HK\$136.3 million). The Group had current ratio of approximately 4.99 times as at 31 December 2018 compared to that of approximately 3.76 times at 31 December 2017.

The gearing ratio of the Group is defined as a percentage of interest-bearing liabilities divided by total equity. As at 31 December 2018, the Group did not have any borrowing (31 December 2017: nil). Hence, as at 31 December 2018, the gearing ratio was nil (31 December 2017: nil). The Group's working capital requirements were mainly financed by internal resources.

## **FOREIGN EXCHANGE EXPOSURE**

The Group mainly earns revenue in Hong Kong dollars and Renminbi and also incurs cost in Hong Kong dollars and Renminbi. The Group is exposed to foreign exchange risk with respect mainly to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any foreign currency hedging policy.

## **PLEDGE OF ASSETS**

There was no pledged asset as at 31 December 2018 (31 December 2017: nil).

## **USE OF PROCEEDS FROM THE SHARE OFFER**

The net proceeds from the Company's Share offer in September 2015 amounted to approximately HK\$100.0 million (after deducting underwriting commissions and all related expenses).

With reference to announcements dated 16 October 2017, 7 November 2017 and 15 November 2017, the Group awarded contracts of HK\$123.5 million for design and build works for residential property projects and office premises. In order to better deploy the resources of the Group, the Board decided to re-allocate HK\$45 million which is originally planned for financing the potential acquisition of companies and or/businesses which are primarily engaged in DFD works and the complement our existing business so as to expand our contracting capabilities (the "Potential Acquisition") to working capital

for awarded, ongoing and future construction and ancillary services projects of HK\$25 million and to additional working capital and other general corporate purposes which include rental expenses, directors' remuneration, staff salary and other corporate expenses of HK\$20 million. The original plans for the Potential Acquisitions will be withheld and/or financed by internally generated resources of the Group. Further details are set out in the announcements dated 13 April 2018, 12 July 2017 and 9 May 2017 respectively.

The proposed use of net proceeds from the listing, and details of the original allocation of the net proceeds, the revised allocation of the net proceeds and the utilisation of the net proceeds as at 31 December 2018 are set out below:

<b>Planned use of proceeds</b>	<b>Original allocation</b>	<b>Revised allocation</b>	<b>Utilisation</b>	<b>Remaining balances</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Financing the potential acquisition of companies and or/businesses which are primarily engaged in DFD works and the complement our existing business so as to expand our contracting capabilities	45.0	–	–	–
Financing the establishment of new regional offices in the PRC	20.0	20.0	–	20.0
Promoting our brand by strengthening our marketing efforts to increase our market share	15.0	–	–	–
Recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhancing internal training to support future growth	10.0	4.9	4.9	–
Additional working capital and other general corporate purposes	10.0	30.0	30.0	–
Precious metal trading business	–	15.0	12.3	2.7
Payment of subscription agreement of HBA dated 12 July 2017	–	5.1	5.1	–
Working capital for awarded, ongoing and future construction and ancillary services projects of the Group	–	25.0	25.0	–
	<u>100.0</u>	<u>100.0</u>	<u>77.3</u>	<u>22.7</u>



## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2018 (31 December 2017: nil).

## **CAPITAL COMMITMENTS**

The Group had no significant outstanding capital commitment as at 31 December 2018 (31 December 2017: nil).

## **DIVIDEND**

The Directors do not recommend any payment of final dividend for the FY2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the FY2018.

## **EVENT AFTER THE REPORTING PERIOD**

On 23 January 2019, Thousand Profit International Limited ("Thousand Profit"), a wholly owned subsidiary of the Company entered into the Sale and Purchase Agreement with an independent third party pursuant to which Thousand Profit and the independent third party agreed to acquire the entire issued share capital of Smart Empire Global Limited ("Smart Empire") for an aggregate consideration of approximately HK\$13,579,000. The completion of the sales and purchase agreement has been taken place on 28 January 2018 (the "Completion"). Upon the Completion, Smart Empire had ceased to an indirect wholly-owned subsidiary of the Company and the Company had ceased to have any interests in Smart Empire and the results of Smart Empire and its subsidiaries had been no longer be consolidated with results of the Group. For details of the sales and purchase agreement, please refer to the announcement of the Company dated 23 January 2019.

On 28 February 2019, Sincere Sword International Limited ("Sincere Sword"), an indirect wholly-owned subsidiary of the Company and a borrower entered into the loan agreement pursuant to which Sincere Sword has agreed to grant the loan in the amount of HK\$40,000,000 to the borrower for a term of twelve months from the effective date. For details of the loan agreement, please refer to the announcement of the Company dated 28 February 2019.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and responsibility. The Board comprises four executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the year ended 31 December 2018 and up to the date of this report, the Company has complied with the code provisions under the CG Code, except for the following deviation:

Mr. LIU Yong Sheng (Mr. “LIU”) resigned as an executive director and the chief executive officer of the Company on 10 April 2018. For the period between the resignation of Mr. LIU on 10 April 2018 and the appointment of Ms. CHEW Christina Mooi Chong (“Ms. CHEW”) as an executive director and the chief executive officer of the Company on 27 August 2018, no individual was appointed as chief executive officer of the Company. The role of the chief executive officer has been performed by the chairman and executive directors of the Company. With effect from 27 August 2018, Ms. CHEW was appointed as an executive director and chief executive officer of the Company. The code provision A.2.1 of the CG Code is therefore complied with.

The Company periodically reviews its corporate governance practices to ensure that it continues to meet the requirements under the Code Provisions.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS**

The Directors have adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company’s securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the FY2018.

### **SCOPE OF WORK**

The figures in respect of the preliminary announcement of the Group’s results for the FY2018 have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts as set out in the Group’s audited consolidated financial statements for the FY2018. The work performed by HLB Hodgson Impey Cheng Limited 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 HLB Hodgson Impey Cheng Limited on the preliminary announcement.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with senior management of the Group, the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group’s consolidated financial statements for the FY2018.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.royalchina.hk](http://www.royalchina.hk)) and the Company's annual report for the year ended 31 December 2018 will be despatched to the shareholders of the Company and published on the Stock Exchange's and the Company's websites in due course.

By Order of the Board  
**Royal China International Holdings Limited**  
**LEONG Hing Loong Rudoff**  
*Chairman*

Hong Kong, 26 March 2019

*As at the date of this announcement, the Board comprises, Mr. LEONG Hing Loong Rudoff, Ms. CHEW Christina Mooi Chong, Mr. SHIH Steven Chun Ning and Ms. GAO Jinyi as executive directors, and Mr. HO Hin Yip, Mr. CHAN Kwong Ming Johnny and Mr. LU Zhuohui as independent non-executive directors.*