華融投資
HUARONG INVESTMENT

Internal And External Linkages

2018
ANNUAL REPORT

華融投資股份有限公司
HUARONG INVESTMENT STOCK CORPORATION LIMITED

Incorporated in the Cayman Islands with limited liability
Stock Code: 2277.HK

Contents

Corporate Information

Directors

Executive Directors
Mr. Yu Meng *(Chairman)*
Mr. Zhang Fan
Mr. Liu Xiguang
Mr. Kwan Wai Ming

Non-executive Director
Ms. Lin Xueqin

Independent Non-executive Directors
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian

Audit Committee
Mr. Chan Kee Huen Michael *(Chairman)*
Mr. Tse Chi Wai
Dr. Fang Fuqian

Nomination Committee
Mr. Yu Meng *(Chairman)*
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian

Remuneration Committee
Mr. Tse Chi Wai *(Chairman)*
Mr. Zhang Fan
Mr. Chan Kee Huen Michael

Risk Management Committee
Mr. Liu Xiguang *(Chairman)*
Mr. Yu Meng
Mr. Zhang Fan
Ms. Lin Xueqin
Dr. Lam Lee G.

Company Secretary

Mr. Leung Chin Wan

Registered Office

PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

Room 3201, 32/F.,
Two Pacific Place, 88 Queensway,
Hong Kong

Legal Advisers as to Hong Kong Laws

Ashurst Hong Kong
11/F., Jardine House,
1 Connaught Place, Central,
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F., One Pacific Place
88 Queensway
Hong Kong

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
PO Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Credit Suisse AG, Singapore Branch
Industrial and Commercial Bank of China (Asia) Limited
China CITIC Bank International Limited
Luso International Banking Ltd.
Bank of China (Hong Kong) Limited
China Minsheng Banking Corp., Ltd. Hong Kong Branch
Bank of Communications Co., Ltd. Hong Kong Branch
Industrial Bank Co., Ltd. Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Bank SinoPac

Stock Code

2277

Website

www.hriv.com.hk

Chairman's Statement

Dear Shareholders,

The Company witnessed an extraordinary year in 2018. Being an important international investment and financing platform of China Huarong in Hong Kong, the Company was driven by business transformation, and backed by the advantages of the brand and the business synergies of China Huarong on one hand, while adversely influenced by various internal and external factors in operations on the other. However, with the leadership of management team of the Company, new dynamics of robust foundation accretion, strict risk control and low-profile implementation are gradually formed. All of us proactively adapt to the new trend by efforts in various developments, such that our operational management gained expected results amid the steady transition.

In face of adverse impacts by various internal and external factors, our governance continues to improve, where a breakthrough was achieved for the working progress of gearing ratio improvement, risk prevention and control and liquidity management.

The Company will particularly highlight the governance improvement and risk control. By upgrading the governance structure and relevant mechanisms and establishing process management, the Company strives to build up a sturdy comprehensive risk management system on the dimensions of risk management, business review and approval, legal compliance, and post-investment operation, as a result of which we secured a healthy development of our businesses, and there were no significantly risky projects or risk exposures during the Period.

In 2019, it is expected that the overall domestic economic conditions will become steady and the overall economic policy will be positively executed, and this in turn offers a favourable external environment for the Company to go along a stable and progressive path in terms of development transformation. On the other hand, the trend of easing in monetary policies is more significant. The capital market and credit market may tend to be active with the positive monetary policy and fiscal policy. Given the sufficient capital in the market, the Company can further mitigate the pressure on liquidity. Nonetheless, the increasing uncertainties in the international and domestic economic conditions as well as the increasingly stringent external monitoring pose material challenges in the course of our development.

The Company will keep improving the development model of our business. The requirements set forth by China Huarong relating to development positioning of offshore subsidiaries will be strictly implemented. The capabilities to secure quality business, quality customers and quality resources will be strengthened. Focused and specific operation management will be undertaken, thus a pool of projects and customers in cohesion with the functional positioning of the Company can be managed to foster the top-band development. To realize the development approach of revitalizing its principal business and the overall operational strategy of developing "businesses that orbit distressed asset management", the Company will also focus on exploring the market segment of distressed asset management as well as motivating other innovative financial service businesses to further enrich and optimize the product portfolio of the Company. In the meantime, the Company will continue to prioritize the efforts on risk control, and to promote the construction of quantitative analysis system for market risks to strengthen its ability to implement control and management measures for credit risks. Leveraging on a sound risk management structure and policies for comprehensive risk preference and risk limit management, clear admission criteria for projects, optimized business authorization and customer management policy, we can enhance the effectiveness of risk control in a practical manner.

Last but not the least, we would like to thank all Shareholders and those from all walks of life, as well as our business partners for their care and support to the Company for a long time. In the new year, we will reinforce the foundation for development, strengthen our internal management and control, while exploring the routing of transformation, in order to overcome various challenges and difficulties and seek for further strides forward, thus contributing to our escalated overall capability to achieve quality and sustainable development of the Company.

Yu Meng
Chairman

Hong Kong, 27 Mar 2019

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Strengthen the business foundation and maintain stable development

In 2018, facing the fluctuation in the global financial market and the uncertainty of American policies on global economy, the Group plans to strengthen its business foundation and maintain stable development, by way of enhancing the quality of its investment portfolios and pathing the way for future development. As at the date of the Annual Report, the Group is primarily engaged in the following business segments: (i) direct investment; (ii) financial services and others; and (iii) foundation and substructure construction services.

During the Year, the Group's revenue recorded a strong growth to approximately HK$1,496 million, representing an increase of approximately 64% as compared to approximately HK$910 million for the Corresponding Period. Direct investment business segment recorded a revenue of approximately HK$608 million, representing an increase of approximately 165% as compared to approximately HK$229 million in the Corresponding Period. The revenue of financial services and other business segments was approximately HK$303 million during the Year, representing a decrease of approximately 19% as compared to approximately HK$377 million in the Corresponding Period. In addition, the revenue of foundation and substructure construction services segment was approximately HK$585 million during the Year, representing an increase of approximately 92% as compared to approximately HK$304 million in the Corresponding Period.

During the Year, the Group recorded profit of approximately HK$72 million, representing decrease of approximately 73% as compared to approximately HK$270 million in the Corresponding Period. The decrease in profit for the Year was mainly due to unrealised loss on financial assets. During the Year, the Group's losses from unrealised loss on financial assets was approximately HK$172 million (the Corresponding Period: gain of HK$162 million). The relevant losses were mainly due to the decrease in fair value of investment products related to Hong Kong listed stocks. The diversified investment portfolios provided a stable income and growth in profit to the Group, and reduced the negative impact to the Group caused by the decrease in valuations of part of financial assets held by the Group which was affected by the wide capital market fluctuations. The Group believes the short-term market volatility and the effects of change in fair value of a few of individual investments will cause no material impact on the long-term development of the Group.

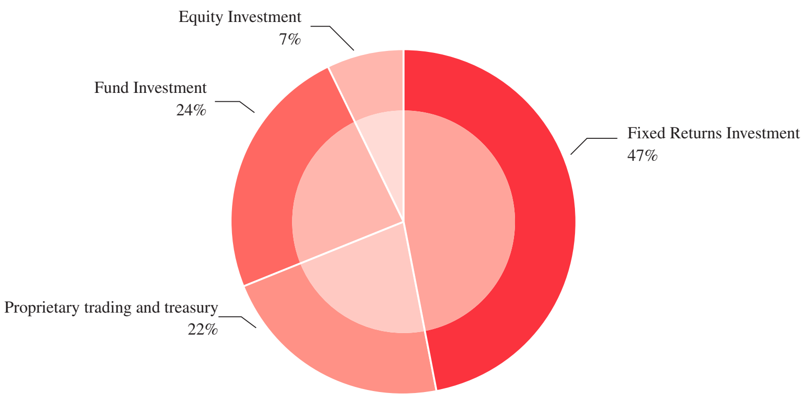
Direct Investment

In terms of direct investment business, the Group has mainly invested in equities, bonds, funds, derivative instruments and other financial products. As at 31 December 2018, the segment assets of direct investment business was approximately HK$6,511 million (31 December 2017: HK$10,063 million), representing a decrease of approximately 35% as compared with that of 31 December 2017. During the Year, segment revenues of approximately HK$608 million (the Corresponding Period: HK$229 million) and segment profit of approximately HK$81 million (the Corresponding Period: segment profit of approximately HK$213 million) were recorded.

Management Discussion and Analysis

The direct investment business of the Group is divided into four major categories, namely fixed returns investments, fund investments, equity investments and proprietary trading and treasury. Fixed returns investments mainly represented investment in private bonds, loans, convertible bonds and fixed income funds, which accounting for approximately 47% of the total investment assets. Such investment provided the Company with stable income and cash flow. The fund investment mainly represented investment in various funds investing in equity, which accounting for approximately 24% of the total investment assets. Equity investments accounted for approximately 7% of the total investment assets, mainly comprising shares of listed companies and equity investment of unlisted companies with strong potential. The proprietary trading and treasury accounted for approximately 22% of the total investment assets, which mainly invested in global bonds and conducted liquidity management and foreign exchange risk management for the Group through bond market, financing arrangement with banks and other financial instruments. The Group believes that while the stable income of the Company is guaranteed by fixed returns investment, fund and equity investments may bring potential and remarkable profit to the Group.

Direct Investment Assets (by Investment Categories)



Financial Services and Others

Financial services and other related services mainly include provision of finance lease services, business consulting services, and financing services and other related services. The Group has set up a professional financial leasing company with relevant licences in the PRC. It is focusing on providing services to the basic industries which conform to the PRC's industrial policy and economic development trend, by way of introducing financial leasing to those industries, including the logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas, to obtain constant and stable rental income. In addition, based on the Group's domestic and overseas business network and the experience of investing in various industries, the Group also provided consulting and financing services on macro-economic, industry analysis, financial product design and other aspects for customers.

As at 31 December 2018, the segment assets of the business of the financial services and others amounted to approximately HK$1,701 million (31 December 2017: HK$1,983 million). During the Year, the segment revenue of approximately HK$303 million (the Corresponding Period: HK$377 million) and the segment profit of approximately HK$70 million (the Corresponding Period: HK$274 million) were recorded, representing a decrease of approximately 20% and 74% as compared with that of the Corresponding Period.

Management Discussion and Analysis

Significant Investments

As at 31 December 2018, the Group's investment portfolio mainly comprised the following financial assets:

Equities, funds and convertible bond investments

Investment	Investment cost HK$000	Percentage of shares/units held as at 2018.12.31	Principal business of the investee	Fair value at 2018.12.31 HK$000	Fair value at 2017.12.31 HK$000	Performance during the year: Movement during the year HK$000	Performance during the year: Changes in fair value HK$000	Performance during the year: Dividend income HK$000	Performance during the year: Gain or loss on disposal HK$000	Fair value to the total assets ratio	Date of relevant announcements
Convertible bonds issued by Carnival Group International Holdings Limited	123,313	N/A	Real estate	121,000	122,441	(1,441)	(1,221)	–	–	1.2%	13 September 2016 16 July 2018 16 January 2019
Interest in Shenzhen China Merchant Huarong Investment Consultancy (Limited Partnership)	91,303	24.2%	N/A	91,303	95,704	(4,401)	–	–	–	0.9%	19 October 2016
Interest in Edge Venture Partners L.P. (Limited Partnership)	618,800	100.0%	N/A	623,942	614,811	9,131	7,873	25,916	–	6.0%	25 October 2016 1 December 2016
Shares in Altonics Holding Limited	26,762	4.4%	Manufacturing	48,750	104,936	(56,186)	(56,186)	2,066	–	0.5%	31 October 2016
Net Investment in Cogobuy Group	117,000	0.6%	E-commerce and internet services	119,960	119,886	74	74	–	–	1.2%	18 November 2016
Interest in Leadingchina Creative Fund L.P. (Limited Partnership)	50,000	98.0%	N/A	45,038	48,525	(3,487)	(3,487)	–	–	0.4%	5 January 2017
Interest in Tianli Private Debt Fund L.P.(Limited Partnership)	196,569	16.7%	N/A	196,741	214,829	(18,088)	(3,149)	15,626	–	1.9%	6 January 2017
Investment in Chelsea Manifest Fund	501,307	100.0%	N/A	506,735	500,280	6,455	5,417	30,242	–	4.9%	14 August 2017
Secured convertible bonds issued by Freeman Fintech Corporation Limited	429,197	N/A	Financial services	427,889	478,000	(50,111)	(49,432)	–	–	4.1%	24 August 2017 28 September 2018 23 October 2018 9 November 2018 13 November 2018
Class B shares issued by All-Stars Fund	156,658	25.0%	N/A	153,179	156,225	(3,046)	(3,474)	–	–	1.5%	29 September 2017
Subscription of Convertible Notes and interest of Retech Technology Co. Limited	110,114	12.0%	Education	152,374	165,191	(12,817)	(8,916)	–	–	1.5%	9 November 2017
Entered into an Asset Management Agreement with China Merchants Wealth Asset Management Co. Ltd.	61,185	99.7%	N/A	61,816	346,927	(285,111)	654	28,476	–	0.6%	8 December 2017
Subscription for interest in the All-Stars Investment Private Partners Fund L.P.	150,398	7.8%	N/A	151,633	–	151,633	1,231	–	–	1.5%	16 January 2018

Management Discussion and Analysis

Loan and debt investments

						Performance during the year				
Investment		Principal business of the investee	Gross Carrying amounts at 2018.12.31	Gross Carrying amounts at 2017.12.31	Movement during the year	Changes in fair value	Dividend income	Gain or loss on disposal	Gross Carrying amounts to the total assets ratio	Date of relevant announcements
			HK$000	HK$000	HK$000	HK$000	HK$000	HK$000		
Notes issued by Zhuguang Holdings Group Company Limited		Real estate	**93,353**	92,181	1,172	N/A	N/A	–	0.9%	23 September 2016
Notes issued by Master Glory Group Limited		Real estate	**400,000**	400,000	–	N/A	N/A	–	3.8%	24 November 2016 23 November 2017
Subscription of notes and interest in a cayman fund		Scientific research and technical services	**210,000**	210,000	–	N/A	N/A	–	2.0%	2 August 2017
Loan arrangement with Qingdao Jiayaohua Real Estate Co., Ltd.		Real estate	**776,079**	813,485	(37,406)	N/A	N/A	–	7.4%	24 August 2017 30 August 2017 28 September 2017
Bonds issued by Intrend Ventures Limited		Mining	**380,000**	450,000	(70,000)	N/A	N/A	–	3.6%	30 August 2017
Notes issued by Mercury Union Limited		Education	**234,987**	234,506	481	N/A	N/A	–	2.3%	21 November 2017
Provision of financial assistance to an independent third party		Construction	**350,000**	350,000	–	N/A	N/A	–	3.4%	11 December 2017
Bonds issued by Superactive Group Company Limited		Manufacturing	**280,000**	300,000	(20,000)	N/A	N/A	–	2.7%	29 December 2017
Notes issued by Brighten Path Limited	*Note 1*	Entertainment	**–**	423,000	(423,000)	N/A	N/A	–	0.0%	26 June 2017
Notes issued by Qingdao Zhongrun Hotel Investment Co., Ltd.	*Note 1*	Real estate	**–**	239,260	(239,260)	N/A	N/A	–	0.0%	31 May 2017
Provision of financial assistance to an independent third party	*Note 1*	Real estate	**–**	500,000	(500,000)	N/A	N/A	–	0.0%	31 May 2017
Notes issued by an independent third party	*Note 1*	Real estate	**-**	486,991	(486,991)	N/A	N/A	–	0.0%	18 October 2017

Note 1: The related loan and debt investments were repaid during the year.

Management Discussion and Analysis

Finance lease receivable investments

Investment	Principal business of the investee	Gross Carrying amounts at 2018.12.31	Gross Carrying amounts at 2017.12.31	Performance during the year: Movement during the year	Changes in fair value	Dividend income	Gain or loss on disposal	Gross Carrying amounts to the total assets ratio	Date of relevant announcements
		HK$000	HK$000	HK$000	HK$000	HK$000	HK$000		
Finance leasing arrangement with Zhangye Pingshan Lake Wind Power Co., Ltd	Energy	**68,740**	95,704	(26,964)	N/A	N/A	–	0.7%	4 January 2017
Finance leasing arrangement with Shenzhen Yestock Automobile Service Co., Ltd.	Leasing	**161,540**	210,119	(48,579)	N/A	N/A	–	1.6%	16 March 2017 9 June 2017 21 December 2017
Finance leasing arrangement with Jiangsu Huifeng Wood Co., Ltd.	Agriculture, forestry, animal husbandry and fishery	**169,357**	219,133	(49,776)	N/A	N/A	–	1.6%	10 May 2017
Finance leasing arrangement with Lhasa Fengdian Photovoltaic Power Generation Co., Ltd.	Energy	**149,118**	177,053	(27,935)	N/A	N/A	–	1.4%	9 June 2017
Finance leasing arrangement with Heze Shenzhou Environmental Services Co., Ltd.	Electricity, heat, gas and water production and supply	**106,898**	131,593	(24,695)	N/A	N/A	–	1.0%	20 July 2017 13 April 2018
Finance leasing arrangement with Anhui Changfeng Cable Group Co., Ltd.	Manufacturing	**88,643**	109,673	(21,030)	N/A	N/A	–	0.9%	1 August 2017
Finance leasing arrangement with Yanan Xinwoda LNG Co., Ltd.	Electricity, heat, gas and water production and supply	**331,771**	401,408	(69,637)	N/A	N/A	–	3.2%	17 August 2017
Finance leasing arrangement with Youhe Daotong Aviation Co., Ltd.	Manufacturing	**367,133**	455,568	(88,435)	N/A	N/A	–	3.5%	21 August 2017
Finance leasing arrangement with Lihua Energy Co., Ltd.	Energy	**63,066**	74,589	(11,523)	N/A	N/A	–	0.6%	15 September 2017
Finance leasing arrangement with Anhui Pacific Cable Group Co., Ltd.	Manufacturing	**62,909**	27,515	35,394	N/A	N/A	–	0.6%	27 December 2017

The major significant investments of the Group include finance leases, notes, loans, convertible bonds, equity and fund investments. For those investments including finance leases, notes and loans, which are measured at amortised cost, the Group will generally hold them in the long term for earning stable interest income. For those investments including convertible bonds, equities and funds, which are measured at fair values, the Group will consider to dispose the relevant investment in the appropriate time based on prevailing market conditions and realise profit for the Group.

Further details of the above investments are disclosed in notes 20, 21 and 22 to the consolidated financial statements.

Management Discussion and Analysis

Foundation and Substructure Construction Services

The construction contract income of foundation and substructure construction services was recognised based on stage of completion. Stage of completion was established by reference to the construction works certified by our customers. The portion of total construction contract amount that was certified to have been completed in a period was recognised as revenue from foundation and substructure construction services in the respective period.

As at 31 December 2018, the segment assets of foundation and substructure construction services amounted to approximately HK$260 million (31 December 2017: HK$231 million). During the Year, the segment revenue of approximately HK$585 million (the Corresponding Period: HK$304 million) and the segment loss of approximately HK$23 million (the Corresponding Period: segment loss of HK$50 million) were recorded. Despite the increase in total amount of projects and revenue, the keen peer competition and increase in related costs have led to loss in such segment during the Year. The Group will continue to pay attention to the development of relevant foundation and substructure construction services, adjust its strategies and control costs to win long-term benefit for the Group.

PROSPECTS

In 2019, it is expected that the overall national economic conditions in the PRC will become steady and the overall economic policy will be positively executed, and this in turn offers time and room for the Company to reduce risks and go ahead with development transformation. The Group will keep on enhancing the quality of project investment and strengthening the core competence and sustainability while increasing control and management of risks.

The Group will continue to squarely analyse circumstances, sharpen its advantages, explore diversified competitive modes, while strengthening its foundation and maintaining stable business development to intensify reform, optimise the structures of business, customer, and staff, as well as enhancing its ability to serve the real economy on a going basis. To achieve the development approach of revitalising its principal business and the overall operational strategy of developing “huge non-performing asset”, the Group will also focus on exploring the market segment of non-performing asset as well as motivating relevant innovative financial service businesses to further enrich and optimise the product system of the Company.

While engaging in business development, the Group will continue to promote the construction of quantitative analysis system for market risks to strengthen its ability to implement control and management measures for credit risks. Moreover, the Group will continue to strengthen its corporate governance and risk control mechanism to improve the overall system management and achieve the steady growth and development of the Group.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group as at 31 December 2018 were approximately HK$7,005 million (31 December 2017: HK$11,047 million). As at 31 December 2018, the secured interest borrowings were approximately HK$307 million (31 December 2017: HK$2,300 million). The secured borrowings as at 31 December 2018 of RMB268,051,000 (equivalent to approximately HK$306,610,000) secured by a finance lease receivable.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group’s bank balances and cash (including deposits in other financial institutions) are approximately HK$879 million (31 December 2017: HK$1,653 million). The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. The Group’s sources of fund include proceeds from issuing of new perpetual capital instruments and placing of new shares, loans from direct and indirect shareholders, loans from banks and internal resources. The gearing ratio of the Group as at 31 December 2018 (defined as total interest-bearing liabilities divided by the Group’s total equity) was approximately 3.2 (31 December 2017: 4.7).

Management Discussion and Analysis

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position and implements in-house treasury measures to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

The Group's operations are mainly denominated in United States dollars, Hong Kong dollars and RMB. As the United States dollars are linked to the Hong Kong Dollars, the Group expects that there is no significant change in the exchange rate of United States Dollars against Hong Kong dollars. During the Year, the Group used the financial instruments in the market to hedge its exposure to foreign exchange risk arising from investment through the proprietary trading and treasury function of the Group in respect of the foreign exchange risk of some investments. The Group will keep monitoring our exposure to foreign exchange fluctuations closely and may introduce appropriate hedging measures if necessary.

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITY

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

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE YEAR

There were no important events affecting the Group since the end of the Year.

EMPLOYEES INFORMATION

As at 31 December 2018, the Group had 232 staff (31 December 2017: 248). The total staff costs incurred by the Group for the Year were approximately HK$144,365,000 (31 December 2017: HK$115,762,000).

The salary and benefit levels of the employees of the Group are competitive. The Group is now expanding its direct investments and financial services businesses. Competitive salary could attract professional talents to commit to the Group's financial and investment business. Individual performance of our employees is rewarded through the Group's salary and bonus system. In addition, the Group provides adequate on-the-job training to employees in order to equip them with practical knowledge and skills to tackle various situations and challenges encountered in a diverse range of working sites.

FINAL DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the Year (31 December 2017: Nil).

Report of the Directors

The Board presents to the Shareholders their report together with the audited consolidated financial statements of the Group for the Year.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are (i) direct investment in equities, bonds, funds, derivative instruments and other financial products; (ii) financial services and others (including but not limited to finance lease provision and services and business consulting services); and (iii) foundation and substructure construction services.

An analysis of the performance of the Group for the Year by operating segments is set out in note 6 to the consolidated financial statements.

Business Review

A fair review of the business of the Group, particulars of important events affecting the Group that have occurred since the end of the Year as well as discussion on the future business development of the Group are set out in the Chairman's Statement on page 3 and Management Discussion and Analysis on pages 4 to 10 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Chairman's Statement on page 3, the Management Discussion and Analysis on pages 4 to 10, and note 46 to the consolidated financial statements. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 4 to 10 of this Annual Report. A discussion of the Group's environmental policies and performance is provided in the ESG Report on pages 39 to 63 of this Annual Report. The above sections form part of the Report of Directors.

Environmental Policies and Performance

As a socially responsible corporation, the Group has endeavoured to strictly comply with laws and regulations regarding environmental protection and the Group has adopted the ecotechnology to ensure our project output meet the standards and ethics in respect of environmental protection.

The Company recognises the importance of environmental protection and commits to provide an eco-friendly energy environment for our staff and developed energy conservation and carbon reduction policy so as to minimise negative environmental impacts. Details of the relevant policies are set out in the ESG Report on pages 39 to 63 of this Annual Report.

Compliance with Laws and Regulations

The Group's legal department establishes and implements various compliance policies for the Group as well as provides compliance advice for the management of the Group and all business teams. Steps have been taken to ensure that each potential business transaction engaged by each business team is in compliance with laws, regulations and rules, including but not limited to the SFO, the Listing Rules, Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), anti-money laundering regulations, and the Foreign Account Tax Compliance Act (if applicable).

Relationship with Stakeholders

We fully understand that stakeholders including employees, customers and suppliers and others are the key to our sustainable and stable development. We are committed to maintain a good relationship with our stakeholders so as to ensure our continual development.

Report of the Directors

The Group regarded our staffs as the most valuable assets of the Company. The Group is providing a fair and harmonious workplace where individuals with diverse cultural backgrounds are treated equally. We offer a reasonable remuneration package and fair opportunities for career advancement based on employees' performance. The Group also provides our staff with different trainings, including on-the-job training and seminars and training courses provided by professional organisations in order to enhance our staffs' career progression.

Results and Appropriations

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 of this Annual Report. The Board did not declare an interim dividend for the six months ended 30 June 2018 (the six months ended 30 September 2017: nil). The Board does not recommend the payment of a final dividend for the Year (the Corresponding Year: nil).

Plant and Equipment

Details of changes in the plant and equipment of the Group during the Year are set out in note 19 to the consolidated financial statements.

Five-Year Financial Summary

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 174 of this Annual Report.

Share Capital

Details of movements in the Company's share capital during the Year are set out in note 35 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on pages 74 to 75 of this Annual Report.

As at 31 December 2018, the Group had reserves amounted to approximately HK$919 million available for distribution as calculated based on Group's share premium and capital reserve and accumulated gain under applicable provisions of the Companies Law in the Cayman Islands.

Report of the Directors

Purchase, Sale or Redemption of the Company's Listed Securities

During the Year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

Equity-linked Agreements

Other than the Share Option Scheme, no equity-linked agreements that will or may result in the Company issuing shares or requiring the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the Year.

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in this Annual Report.

Donations

Donations made by the Group during the Year amounted to approximately HK$622,000.

Share Option Scheme

Pursuant to the written resolutions of the sole shareholder of the Company on 8 December 2014, the Company adopted the Share Option Scheme to attract and retain the best available personnel, to provide additional incentive to employees, Directors, consultants or advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any employee (fulltime or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our Independent Non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue at any point in time, without prior approval from the Shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial Shareholders or Independent Non-executive Directors or any of their respective associates (including a discretionary trust whose discretionary objects include a substantial Shareholder, Independent Non-executive Directors, or any of their respective associates) in any 12-month period in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Shareholders.

Report of the Directors

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors, and will be at least the higher of (i) the closing price of the Shares on the date of grant; (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption date (i.e. 8 December 2014) and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. As at the date of this Annual Report, the Share Option Scheme had a remaining life of approximately five years.

No share options were granted since the adoption of the Share Option Scheme and there are no outstanding share options as at 31 December 2018. As at the date of this Annual Report, the number of share options available for issue under the Share Option Scheme was 103,000,000, representing approximately 5.67% of the total issued Shares as at the date of this Annual Report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix IV to the prospectus of the Company dated 15 December 2014.

Directors

The Directors who held office during the Year and up to the date of this Annual Report were:

Executive Directors

Mr. Yu Meng *(Chairman)* (Appointed on 27 November 2018)
Mr. Qin Ling *(Former Chairman)* (Resigned on 27 November 2018)
Mr. Zhang Fan (Appointed on 13 March 2018)
Mr. Xu Xiaowu *(Former Chief Executive Officer)* (Resigned on 13 March 2018)
Mr. Liu Xiguang
Mr. Kwan Wai Ming

Non-Executive Director

Ms. Lin Xueqin

Independent Non-Executive Directors

Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian

The Directors' biographical details are set out in the section headed "Biographies of the Directors and Senior Management" in this Annual Report.

Report of the Directors

Information regarding Directors' emoluments is set out in note 14 to the consolidated financial statements. An annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules has been received from each of the Independent Non-executive Directors. The Company considered that all the Independent Non-executive Directors were independent, and that no family, material or other relevant relationships existed between any of them. In addition, none of the Directors was related to any of the others.

Directors' Service Contract

All the Independent Non-executive Directors have respectively entered into a service contract or a letter of appointment with the Company for a term of three years unless terminated by not less than one month's notice in writing served by either party on the other.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Management Contracts

During the Year, no contract concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed.

Permitted Indemnity Provision

Pursuant to the Articles, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of their own fraud or dishonesty.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Year and up to the date of this Annual Report.

Directors'/Controlling Shareholders' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in this Annual Report, no transactions, arrangements or contracts that are significant to the Group's business to which any of its subsidiaries was a party and in which a Director or controlling shareholder of the Company or his/her/its connected person had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, no interests or short positions in the Shares, underlying Shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) were held by the Directors and the chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this Annual Report, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during the Year or at the end of the Year.

Directors' Interests in Competing Business

Save as disclosed in this Annual Report, none of the Directors have an interest in any business constituting a competing business to the Group.

Substantial Shareholders' Interests in Shares and Underlying Shares

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2018, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity	Number of Shares	Approximately percentage of the issued share capital (%)
Right Select	Beneficial owner *(Note 1)*	926,042,000	50.99%
CHIH	Interest of controlled corporation *(Note 1)*	926,042,000	50.99%
China Huarong	Interest of controlled corporation *(Note 1)*	926,042,000	50.99%
China Tian Yuan Asset Management Limited	Beneficial owner *(Note 2)*	353,375,000	19.46%
China Tian Yuan Manganese Finance (Holdings) Limited	Interest of controlled corporation *(Note 2)*	353,375,000	19.46%
China Tian Yuan Manganese Limited	Interest of controlled corporation *(Note 2)*	353,375,000	19.46%
Ningxia Tianyuan Manganese Industry Co., Ltd.	Interest of controlled corporation *(Note 2)*	353,375,000	19.46%
Jia Tianjiang	Interest of controlled corporation *(Note 2)*	353,375,000	19.46%
Dong Jufeng	Interest of spouse *(Note 3)*		

Notes:

1. Based on the disclosure of interests filed by Right Select, CHIH and China Huarong on 2 March 2017, the 926,000,000 Shares are registered in the name of Right Select. To the best of the Directors' knowledge, as at 31 December 2017, 926,042,000 Shares are registered in the name of Right Select. Right Select is wholly owned by CHIH. CHIH is owned as to 88.10% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) (which in turn is wholly owned by China Huarong) and as to 11.90% by Huarong Zhiyuan Investment & Management Co., Ltd. (which in turn is wholly owned by China Huarong).

2. The 353,375,000 Shares are registered in the name of China Tian Yuan Asset Management Limited. China Tian Yuan Asset Management Limited is wholly owned by China Tian Yuan Manganese Finance (Holdings) Limited. China Tian Yuan Manganese Finance (Holdings) Limited is wholly owned by China Tian Yuan Manganese Limited. China Tian Yuan Manganese Limited is wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd. Ningxia Tianyuan Manganese Industry Co., Ltd. is owned as to 99.62% by Jia Tianjiang.

3. The 353,375,000 Shares were beneficially owned by China Tian Yuan Asset Management Limited, which is indirectly owned as to 99.62% by Jia Tianjiang, the spouse of Dong Jufeng. Therefore, Dong Jufeng is deemed to be interested in the 353,375,000 Shares held by China Tian Yuan Asset Management Limited by virtue of SFO.

Report of the Directors

Market Capitalisation

As at 31 December 2018, the market capitalisation of the listed securities of the Company was approximately HK$671,920,000 based on the total number of 1,816,000,000 issued shares of the Company and the closing price of HK$0.37 per share.

Major Customers and Suppliers

The percentages of the Group's purchases and revenue attributable to major suppliers and customers during the Year ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Percentage of purchase		
From the largest supplier	**14.28%**	26.5%
From the five largest suppliers in aggregate	**46.25%**	68.9%
Percentage of revenue		
From the largest customer	**9.85%**	12.55%
From the five largest customers in aggregate	**36.64%**	28.61%

None of the Directors, their close associates or any Shareholders who owned more than 5% of the Company's share capital (which to the knowledge of the Directors) had any interest in the five largest customers nor suppliers during the Year.

Related Party Transactions

With respect to the related party transactions as disclosed in note 45 to the consolidated financial statements, all transactions which also constitute connected transactions or continuing connected transactions are fully exempted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in relation to any connected transactions and continuing connected transactions.

Continuing Connected Transactions

During the Year, there were no connected transactions or continuing connected transactions of the Company which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Emolument Policy

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Executive Directors are reviewed by the Remuneration Committee and determined by the Board, having regard to the Group's operating results, individual performance and prevailing market condition. The emoluments of the Non-executive Directors and Independent Non-executive Directors are reviewed by the Remuneration Committee and determined by the Board.

No Director or any of his or her associates was involved in deciding his or her own remuneration.

Report of the Directors

Borrowings

Particulars of borrowings of the Group as at 31 December 2018 are set out in note 30 to the consolidated financial statements.

Retirement Benefits Plans

Details of the Group's retirement benefits plans are set out in note 4 to the consolidated financial statements.

Public Float

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this Annual Report.

Events After the Year

Details of the significant events after the Year of the Group are set out in Management Discussion and Analysis on page 10 of this Annual Report.

Disclosure Under Rule 13.21 of the Listing Rules

On 17 July 2018, the Company (as borrower) signed a revolving short term advance facility letter and a treasury facility letter with a bank for up to an aggregate amount of USD15,000,000 (or its equivalent amount in other major foreign currencies) and USD5,000,000 respectively. The terms of such facilities shall be subject to the bank's annual review on 30 June each year.

On 1 August 2018, the Company (as borrower) signed a revolving facility letter with a bank for up to an aggregate amount of USD10,000,000 (or its equivalent amount in HKD). The term of the Facility shall be one year.

Under the facility letters entered into on 17 July 2018 and 1 August 2018, as long as the facilities remain outstanding, China Huarong should remain as the majority shareholder of the Company. As at the date of this Annual Report, China Huarong beneficially owns approximately 50.99% of the issued share capital of the Company.

On 7 December 2018, the Company (as borrower) and a syndicate of banks entered into a term loan facility agreement of HKD110,000,000 and USD200,000,000 with greenshoe option to increase the Facility to not more than HKD3,800,000,000 (or its equivalent to USD). Such facility has a term of 364 days, subject to extension with the consent of such syndicate of banks.

On 21 December 2018, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of HK$400,000,000 (or its equivalent in USD). Such facility is unsecured and be at all times available at the sole and absolute discretion of the bank.

For each of the abovementioned facilities, China Huarong has issued a letter of comfort to the relevant bank(s) to undertake that as long as each of the abovementioned facilities remains outstanding, China Huarong shall remain as the controlling shareholder of the Company.

Please refer to the Company's announcements dated 17 July 2018, 1 August 2018, 7 December 2018 and 21 December 2018 for further details.

Report of the Directors

Independent Auditors

SHINEWING (HK) CPA Limited has retired as the auditors of the Company upon expiration of their terms of office with effect from the conclusion of the AGM in 2017 of the Company held on 25 May 2017 and did not stand for re-appointment. The Board had resolved to appoint Deloitte as the auditors of the Company for the Year in order to align that with China Huarong and to ensure efficient and consistent auditing processes among China Huarong, the Company and each of the subsidiaries. The appointment of auditors has been approved at the AGM in 2017.

The financial statements of the Year have been audited by Deloitte.

On behalf of the Board

Yu Meng
Chairman

Hong Kong, 27 March 2019

Biographies of the Directors & Senior Management

Executive Directors

Mr. YU Meng (于猛)

Mr. YU Meng (于猛), aged 41, is the chairman of the Board of Directors, an Executive Director, the chairman of the Nomination Committee and a member of Risk Management Committee of the Company. Mr. Yu joined the Company in November 2018. He is responsible for the leadership of the Board, formulating and overseeing the overall corporate directions and corporate strategies of the Company, and driving the Board and the individual Directors to perform to the best of their ability. Mr. Yu is currently acting as a director and the general manager of China Huarong International Holdings Limited, the holding company of Right Select International Limited, which is the controlling shareholder of the Company. Mr. Yu joined China Huarong Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Corporation, the shares of which are listed on the Stock Exchange and is the ultimate controlling shareholder of the Group) and held various positions including assistant to the general manager of asset management department, deputy general manager and risk director of Henan provincial branch; deputy general manager (in-charge of work) of branch of Shanghai Pilot Free Trade Zone; deputy director of listing office; deputy general manager of business audit department, deputy general manager (general manager level) of international business management department and managing deputy director (director level) of overseas business management headquarters, etc.. Mr. Yu graduated from China University of Political Science and Law with a master degree in laws in 2002, and is currently a Senior Economist. He possesses extensive experience in business management, asset management and risk management.

Mr. ZHANG Fan (張帆)

Mr. ZHANG Fan (張帆), aged 38, is an executive Director and deputy chief executive officer, a member of the Remuneration Committee and Risk Management Committee of the Company. Mr. Zhang joined the Company in September 2016. He is responsible for the day-to-day management of the Company, the coordination of overall business operations as well as the effective implementation of the strategies, directions and policies of the Company. Mr. Zhang also serves as a director of certain of the subsidiaries of the Company. Mr. Zhang has previously served in various positions in well known domestic and overseas corporations, including chief investment officer of China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited) and managing director of ABCI Capital Limited. He has also served in CITIC Securities, UBS Securities and the Ministry of Foreign Affairs of the PRC, with over 10 years of practical management experience in both domestic and overseas capital markets.

Mr. LIU Xiguang (劉錫光)

Mr. LIU Xiguang (劉錫光), aged 56, is an Executive Director and the deputy chief executive officer, the chief risk officer and the chairman of the Risk Management Committee of the Company. Mr. Liu joined the Company in May 2017. He is responsible for the management of the daily operation of the Company and its subsidiaries, and overseeing of the risk management and compliance department of the Group. Mr. Liu graduated with a bachelor's degree in economics from Renmin University of China in 1985. Mr. Liu has extensive experience in capital operations, investment banking, fund management and risk management. He taught at the Hunan Economic Management Cadre College (湖南經濟管理幹部學院) from September 1985 to August 1992. He has worked in securities, banks and energy companies. He served as the deputy general Manager in Investment Banking Department and Institutional Banking Department at Fudian Bank Co., Ltd. from July 2008 to June 2011. From June 2011 to February 2012, he worked at the preparatory group of Yunnan Provincial Energy Investment Group Co., Ltd., where he served as the main responsible person of the Capital Operation and Equity Management Department from February 2012 to September 2012 and the vice president from September 2012 to March 2017.

Biographies of the Directors & Senior Management

Mr. KWAN Wai Ming (關偉明)

Mr. KWAN Wai Ming (關偉明), aged 60, is an Executive Director of the Company. Mr. Kwan joined the Company in April 2001. Mr. Kwan is primarily responsible for the business of the foundation and substructure construction services of the Group. Mr. Kwan also serves as a director of certain of the subsidiaries of the Company. Mr. Kwan has over 30 years of experience in the construction industry. He joined Chun Sing Engineering Company Limited and worked as the general manager in 2001. Mr. Kwan was appointed as director of Chun Sing Machinery Company Limited in February 2002 and director of CS Engineering in December 2006. Prior to joining Chun Sing Engineering Company Limited, Mr. Kwan worked as quantity surveyor in Henderson Real Estate Agency Limited from April 1984 to September 1988. He worked as project coordinator in Anwell Building Construction Company Limited from September 1988 to January 1998 and his last position was the chief quantity surveyor. He worked as an estimating manager in Chevalier International Holdings Limited, a listed company in Hong Kong (Stock code: 25), from September 1998 to April 2001 and his last position was estimating & subletting manager. Mr. Kwan obtained certificate in civil engineering in November 1980, higher certificate in civil engineering in November 1983 and certificate in building law in November 1984, all awarded by Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic).

Non-executive Director

Ms. LIN Xueqin (林學勤)

Ms. LIN Xueqin (林學勤), aged 55, is a non-executive Director and a member of the Risk Management Committee of the Company. Ms. Lin joined the Company in September 2017. She has worked in China Huarong Asset Management Co., Ltd. (Stock Code: 2799) ("**China Huarong**") since March 2000, the shares of which are listed on the Stock Exchange in Hong Kong, and is currently the deputy general manager of international business department of China Huarong. Prior to joining China Huarong, Ms. Lin served as an assistant to the chief representative of the Beijing representative office of Huaxin Holdings Co., Ltd. (華新控股有限公司) from November 1998 to March 2000. From July 1985 to November 1998, she worked in the foreign affairs office of the People's Government of Jiangxi Province and served as a deputy director of the Beijing liaison office from September 1991 to November 1998. Ms. Lin graduated with a bachelor's degree in English literature from Nanchang University (previously known as Jiangxi University) in July 1985 and a master's degree in economics from University of International Business and Economics in June 2006.

Biographies of the Directors & Senior Management

Independent Non-executive Directors

Mr. CHAN Kee Huen Michael (陳記煊)

Mr. CHAN Kee Huen Michael (陳記煊), aged 67, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company. Mr. Chan joined the Company in June 2016. Mr. Chan is the chief executive of C&C Advisory Services Limited. He is an independent non-executive director of China Baoli Technologies Holdings Limited (Stock code: 164) since 18 August 2017, an independent non-executive director of Lansen Pharmaceutical Holdings Limited (Stock Code: 503) since April 2010, and an independent non-executive director of Sterling Group Holdings Limited (Stock Code: 1825) since September 2018, the shares of all of which are listed on the Main Board of the Stock Exchange in Hong Kong. He was also an independent non-executive director of K.H. Group Holdings Limited (Stock code: 1557) from February 2016 to August 2018. Mr. Chan has over 35 years of experience in external audit, IT audit, training, accounting and finance, company secretarial and corporate administration, MIS management, internal audit, information security, risk management and compliance experience. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a fellow member and specialist in Information Technology of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. He was admitted as a certified information systems auditor with the Information Systems Audit and Control Association in 1985 and a fellow member of the Hong Kong Institute of Directors in 2000. Mr. Chan was admitted as a member of the Chartered Institute of Arbitrators in 2000 and became a member of the Institute of Internal Auditors in 1997. Mr. Chan was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2009 to 2014. Mr. Chan worked at CMG Life Assurance Limited (formerly Jardine CMG Life Assurance Limited) from 1991 to 1996 and his last position was general manager, compliance and corporate affairs. He was employed by Dao Heng Bank Limited in 1996 as the group auditor (which subsequently acquired by DBS Bank (Hong Kong) Limited) and he ceased working for the bank in 2004 with his last position as managing director and head of compliance, Hong Kong and Greater China. Mr. Chan was also the group financial controller of Lam Soon (Hong Kong) Limited from 2004 to 2005, the director of quality assurance of the Hong Kong Institute of Certified Public Accountants in 2005 and the deputy general manager of the compliance department of Ping An Insurance (Group) Company of China, Limited from 2006 to 2009. Mr. Chan graduated with a higher diploma in accountancy from Hong Kong Polytechnic in November 1976 and was awarded the postgraduate diploma in business administration from the University of Surrey in March 1998.

Mr. TSE Chi Wai (謝志偉)

Mr. TSE Chi Wai (謝志偉), aged 51, is an Independent Non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Tse joined the Company in April 2016. Mr. Tse graduated from the University of Hong Kong in June 1989 with a bachelor's degree in social sciences. Mr. Tse is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting and finance gained from working with various international accounting firms and listed companies. Mr. Tse has been an executive director, the financial controller and company secretary of China Information Technology Development Limited (stock code: 8178) since 15 August 2011. Mr. Tse is also an executive director of Jih Sun Financial Holding Company Limited, the shares of which are listed in Taiwan and an independent non-executive director of Hong Kong listed companies, namely China Environmental Technology Holdings Limited (stock code: 646), Great Water Holdings Limited (stock code: 8196) and Winto Group (Holdings) Limited (stock code: 8238). Mr. Tse was an independent non-executive director of Greens Holdings Limited ("**Greens Holdings**") (stock code: 1318) from March 2015 to November 2015 and Sunac China Holdings Limited ("**Sunac**") (stock code: 1918) from December 2012 to December 2017 and Chong Kin Group Holdings Limited (stock code: 1609) from January 2018 to August 2018.

Biographies of the Directors & Senior Management

During the period between March 2015 and November 2015, Mr. Tse was an independent non-executive director of Greens Holdings, a company incorporated in the Cayman Islands and principally engaged in the manufacture and supply of heat transfer products and solutions, the shares of which are listed on the Main Board of the Stock Exchange. Greens Holdings announced that (i) on 2 September 2015, Greens Holdings filed a winding up petition with the Grand Court of the Cayman Islands (the "**Cayman Court**") as Greens Holdings was unable to repay its debts; (ii) on 29 September 2015, a winding up petition was filed with the High Court of Hong Kong against Greens Holdings by a bondholder for an outstanding debt under the unlisted bonds issued by Greens Holdings in January 2015; (iii) on 8 October 2015, joint provisional liquidators were appointed pursuant to an order of the Cayman Court; (iv) the winding up petition hearing in Hong Kong was originally scheduled on 2 December 2015; (v) the Cayman Court convened a case management conference on 7 April 2016 and ordered that the winding up petition with the Cayman Court be listed for directions hearing on 17 May 2016, which was adjourned and rescheduled for several times until a date to be fixed after 30 April 2017; and (vi) the Stock Exchange issued a letter dated 28 October 2016 to Greens Holdings stating that it had decided to place Greens Holdings into the third delisting stage. Mr. Tse confirmed that (i) there is no wrongful act on his part leading to the said winding up petitions and he is not aware of any actual or potential claim which has been or will be made against him as a result of the said winding up petitions; and (ii) his involvement in Greens Holdings during his tenure was part and parcel of his services as a director thereof and no misconduct or misfeasance on his part had been involved in the said winding up petitions.

In October 2017, based on findings made by the Listing Committee of the Stock Exchange ("**Listing Committee**") in respect of Sunac and on Sunac's acceptance, without admission of any liabilities and for the purpose of settlement of the relevant findings, the Listing Committee censured Sunac for breaching Rule 2.13(2) of the Listing Rules for failure to ensure the announcements made in February 2015 and May 2015 were accurate and complete in all material aspects and not misleading. Please refer to the Listing Committee's censure letter issued on 26 October 2017 for further details.

Although Mr. Tse was independent non-executive director of Sunac at the relevant time, Mr. Tse was not personally subject to any investigation process, disciplinary action or censure from the Listing Committee or any other competent authority in respect of the above matters.

Biographies of the Directors & Senior Management

Dr. LAM Lee G. (林家禮)

Dr. LAM Lee G. (林家禮), aged 59, is an Independent Non-executive Director, a member of the Nomination Committee and the Risk Management Committee of the Company. Dr. Lam joined the Company in September 2017. He is the Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a Board member of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and Convenor of its Digital Silk Road Working Group, and the Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a Board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board member and the Honourary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.

Dr. Lam earlier also served as a part-time member of the Hong Kong Special Administrative Region Government's Central Policy Unit, and a member of the Task Force on Industry Facilitation under the Digital 21 Strategy Advisory Committee, the Assessment Panel of the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund, the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited, the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, the New Business Committee of the Hong Kong Financial Services Development Council, the Education Bureau School Allocation Committee and the Legal Aid Services Council.

Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors.

Dr. Lam earlier served as a General Manager of Hongkong Telecom, Vice President and Managing Partner – Greater China of the international management consulting firm A.T. Kearney, President & Chief Executive Officer and Vice Chairman of the board of Chia Tai Enterprises International Limited (now renamed as C.P. Lotus Corporation) of multinational conglomerate CP Group, Vice Chairman and Chief Operating Officer of Investment Banking Division of BOC International Holdings (the international investment banking arm of the Bank of China group), Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings), and Chairman – Hong Kong, Vietnam, Cambodia, Laos, Myanmar and Thailand and Senior Adviser – Asia of Macquarie Capital.

Biographies of the Directors & Senior Management

Dr. Lam holds a Bachelor of Science degree in sciences and mathematics, a Master of Science in systems science and a Master of Business Administration from the University of Ottawa in Canada, a post-graduate diploma in public administration from Carleton University in Canada, a post-graduate diploma in English and Hong Kong Law and a Bachelor of Laws (Hons) from Manchester Metropolitan University in the United Kingdom, a Master of Laws from the University of Wolverhampton in the United Kingdom, a Postgraduate Certificate in Laws from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong School of Continuing and Professional Studies (CUSCS), a Master of Public Administration and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam is a former member of the Hong Kong Bar Association, a Solicitor of the High Court of Hong Kong, an Honorary Fellow of Certified Practising Accountants (CPA) Australia, a Fellow of Certified Management Accountants (CMA) Australia, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors, an Honorary Fellow of the Hong Kong Institute of Facility Management and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE).

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Company Limited (Stock Code: 6837 and it is also listed on the Shanghai Stock Exchange with Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hua Long Jin Kong Company Limited (Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock code: 404), Mingfa Group (International) Company Limited (Stock Code: 846), and Aurum Pacific (China) Group Limited (Stock Code: 8148), and a non-executive Director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228) and Tianda Pharmaceuticals Limited (Stock Code: 455), the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. Dr. Lam is also an independent non-executive director of each of China Real Estate Group Limited (former name Asia-Pacific Strategic Investments Limited, Stock code: 5RA), Top Global Limited (Stock code: BHO), and JCG Investment Holdings Ltd (Stock code: JCGI, former Name: China Medical (International) Group Limited), and non-executive director of Singapore eDevelopment Limited (Stock code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent non-executive director of Sunwah International Limited (Stock code: SWH) whose shares are listed on the Toronto Stock Exchange, an independent non-executive director of AustChina Holdings Limited (Stock code: AUH) whose shares are listed on the Australian Securities Exchange, non-executive director of Adamas Finance Asia Limited (Stock code: ADAM) whose shares are listed on the London Securities Exchange and an independent non-executive director of TMC Life Sciences Berhad (a company listed on the Main Board of Bursa Malaysia Securities Bhd).

Dr. Lam was a non-executive director of Roma Group Limited (Stock code: 8072), and he was also an independent non-executive director of Imagi International Holdings Limited (Stock code: 585) and Xi'an Haitiantian Holdings Company Limited (Stock code: 8227), the shares of all of which are listed on the Stock Exchange, and an independent non-executive director of Vietnam Equity Holding (Stock code: 3MS) whose shares are listed on the Stuttgart Stock Exchange, and Rowsley Limited (Stock code: A50) whose shares are listed on the Singapore Stock Exchange.

Dr. FANG Fuqian (方福前)

Dr. FANG Fuqian (方福前), aged 64, is an independent non-executive Director, a member of the Audit Committee and the Nomination Committee of the Company. Dr. Fang joined the Company in October 2017. He is a professor in the school of economics of Renmin University of China. Dr. Fang holds a bachelor's degree in economics from Anhui University, a master's degree in economics from Wuhan University and a doctoral degree in economics from Renmin University of China. Dr. Fang has over 20 years of experience in researching macroeconomics and the Chinese economy. Recently, his research focuses mainly on economic structure adjustment, structural reform in the supply side and reform of income distribution. Dr. Fang is also an independent director of Anhui Wanwei Updated High-tech Material Industry Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600063), Hefei Department Store Group Co., Ltd (listed on the Shenzhen Stock Exchange with stock code: 000417), Henan Yinge Industrial Investment Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600069) and Zhejiang Talent Television & Film Co., Ltd. (listed on the Shenzhen Stock Exchange with stock code: 300426). Dr. Fang was an independent non-executive director of Ponovo Power Co., Ltd. (quoted on the National Equities Exchange and Quotations with stock code: 832921) from June 2012 to June 2017 and Time Publishing and Media Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600551) from November 2011 to November 2015.

Biographies of the Directors & Senior Management

Senior Management

Mr. XU Xiaowu (徐曉武)
Mr. XU Xiaowu (徐曉武), aged 48, is the chief supervisor of the Company. Mr. Xu joined the Company in September 2016 and was an Executive Director and the chief executive officer of the Company from September 2016 to March 2018. He has been responsible for the overall work for discipline inspection and supervision of the Company since February 2018, and has been responsible for overseeing the management of the legal department and the internal audit department of the Company. Mr. Xu was a vice president of China Development Bank Financial Leasing Limited (formerly known as Shenzhen Financial Leasing Company Limited) (stock code: 1606) from November 1999 to August 2016. Mr. Xu was also a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd.) from 1999 to 2002. Mr. Xu was the assistant to the head of the finance department in Shenzhen Southern Pharmaceutical Factory (currently known as China Resources Sanjiu Medical & Pharmaceutical Co., Ltd., a company listed on Shenzhen Stock Exchange, stock code: 000999) from July 1992 to November 1999. Mr. Xu graduated from Wuhan University in Wuhan, Hubei Province, the PRC, majoring in auditing with a bachelor's degree in economics in July 1992. He then graduated from Xiamen University in Xiamen, Fujian Province, the PRC, majoring in world economy with a master's degree in economics in November 2008. Mr. Xu completed the EMBA course in Cheung Kong Graduate School of Business in Beijing, the PRC, from 2007 to 2009.

Mr. CHEN Qinghua (陳慶華)
Mr. CHEN Qinghua (陳慶華), aged 39, is the deputy chief executive officer of the Company. Mr. Chen joined the Company in December 2016. He is responsible for overseeing the management of the asset management department, merger and acquisition financing department, direct investment department and capital market department of the Company. Mr. Chen also serves as a director of certain of the subsidiaries of the Company. Mr. Chen graduated from Zhongnan University of Economics and Law with a bachelor's degree in economic law in 2001. He obtained the Executive Master of Business Administration from the Guanghua School of Management of Peking University in 2017. Mr. Chen has served in various positions, including general manager of risk management department and director of the office of China Development Bank Financial Leasing Co., Ltd., and director of the office of the board of directors of China Development Bank Financial Leasing Co., Ltd.

Ms. WANG Yanping (王燕屏)
Ms. WANG Yanping (王燕屏), aged 49, is the assistant chief executive officer of the Company. Ms. Wang joined the Company in January 2018. She is responsible for overseeing the finance department, financial market department, fixed income department and information technology department of the Company. Ms. Wang graduated from University of International Business and Economics with a bachelor's degree in Administration. She has over 25 years' experience in financial management in various industry. She is an associate member of the Association of International Accountants in England, a fellow member of the Association of International Accountants and a senior international finance manager. She has served in various positions including the financial controller in various subsidiary bodies of Guangdong Yuehai Holding Group Co. Ltd. (廣東粵海控股集團有限公司) and Guangdong Nanyue Group Co. Ltd. (廣東南粵集團有限公司), the Vice President and Chairman of the Board of Supervisors of Macau Chinese Bank Co. Ltd. (澳門華人銀行股份有限公司).

Corporate Governance Report

The Board recognises that sound and effective corporate governance practices and procedures, with an emphasis on integrity, transparency, accountability and independence, are essential to enhance the shareholders' value and safeguard the shareholders' interest. The Company is committed to maintaining a good corporate governance standard and endeavors to ensure that its businesses are conducted in accordance with all applicable rules and regulations.

Corporate Governance Practices

The Company has applied the principles and complied with all applicable code provisions and the recommended best practices of the Code through the Year, except for the following deviation:

Code Provision A.6.7 of the Code provides that Independent Non-executive Directors and other Non-executive Directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagement, Mr. Chan Kee Huen Michael, an Independent Non-executive Director, did not attend the AGM held on 24 May 2018.

Save as disclosed above, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the Year, in compliance with the Code.

Directors' Securities Transactions

The Company adopts the Model Code as a code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, it is confirmed that all Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the Year.

Corporate Governance Report

Board of Directors

(i) Board Composition

The Board currently comprises four Executive Directors, one Non-executive Director and four Independent Non-executive Directors. They include persons with a wealth of practical experiences in the finance industry, investment, business management, accountancy profession, securities industry, banking industry, engineering, government institutions, legal profession and academic profession. There is a balance of skills and experiences appropriate for the requirements of the business of the Company. The composition of our Board complies with Rules 3.10 and 3.10A of the Listing Rules. The Directors who held office during the Year and up to the date of this Annual Report were:

Executive Directors
Mr. Yu Meng *(Chairman)* (Appointed on 27 November 2018)
Mr. Qin Ling *(Former Chairman)* (Resigned on 27 November 2018)
Mr. Zhang Fan (Appointed on 13 March 2018)
Mr. Xu Xiaowu *(Former Chief Executive Officer)* (Resigned on 13 March 2018)
Mr. Liu Xiguang
Mr. Kwan Wai Ming

Non-Executive Director
Ms. Lin Xueqin

Independent Non-Executive Directors
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian

As at the date of publication of this annual report, the Board consists of 8 Directors as Mr. Zhang Fan has resigned on 17 April 2019.

The biographical details of the Directors are set out in the section of “Biographies of Directors and Senior Management” on pages 20 to 26 of this Annual Report.

Corporate Governance Report

(ii) The Board, Committees and General Meetings

The Board meets regularly and, in addition to regular meetings, it meets as and when warranted by particular circumstances. The attendance records of the individual Directors at the Board, Audit Committee, Nomination Committee, Remuneration Committee, Risk Management Committee and general meetings of the Company for the Year are set out as follows:

	Number of Meetings Attended/Held					
Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee	General Meeting
Executive Directors						
Mr. Yu Meng *(Chairman)* (Appointed on 27 November 2018)	2/3	N/A	0/0	N/A	0/0	N/A
Mr. Qin Ling *(Former Chairman)* (Resigned on 27 November 2018)	6/10	N/A	1/2	N/A	1/1	1/1
Mr. Zhang Fan (Appointed on 13 March 2018)	10/12	N/A	N/A	1/1	1/1	1/1
Mr. Xu Xiaowu *(Former Chief Executive Officer)* (Resigned on 13 March 2018)	2/2	N/A	N/A	1/1	1/1	N/A
Mr. Liu Xiguang	13/13	N/A	N/A	N/A	1/1	1/1
Mr. Kwan Wai Ming	4/13	N/A	N/A	N/A	N/A	1/1
Non-Executive Director						
Ms. Lin Xueqin	11/13	N/A	N/A	N/A	1/1	1/1
Independent Non-Executive Directors						
Mr. Chan Kee Huen Michael	12/13	3/3	2/2	2/2	N/A	0/1
Mr. Tse Chi Wai	13/13	3/3	2/2	2/2	N/A	1/1
Dr. Lam Lee G.	12/13	N/A	2/2	N/A	1/1	1/1
Dr. Fang Fuqian	8/13	3/3	0/2	N/A	N/A	1/1

Note: None of the Directors have appointed an alternate Director, and hence none of the meetings of the Board or the Board Committees have been attended by an alternate Director.

(iii) Board Responsibilities and Delegation

The Board is responsible to the Shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, approving the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance.

Regarding the Group's corporate governance, during the Year, the Board has in accordance with the terms of reference performed the following duties:

- determined and reviewed the policies and practices on corporate governance of the Group and make recommendations;
- reviewed and monitored the training and continuous professional development of Directors and senior management;
- reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements;
- developed, reviewed and monitored the code of conduct applicable to Directors and employees; and
- reviewed the Company's compliance with the Code and disclosure in this corporate governance report.

Corporate Governance Report

The Board delegates the day-to-day management, administration and operation of the Group to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by the management.

All Board members have separate and independent access to the Company's management to fulfill their duties, and upon reasonable request, to seek independent professional advice under appropriate circumstances and at the Company's expenses. All Directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with such information and explanations as are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board. Queries raised by Directors are answered fully and promptly. Meeting agenda accompanied by relevant Board/committee papers are distributed to the Directors/committee members with reasonable notice in advance of a Board meeting. Minutes of board meetings and meetings of board committees, which recorded in sufficient detail the matters considered by the Board and decisions reached thereat, including any concerns raised or dissenting views expressed by any Director, are kept by the company secretary and open for inspection by the Directors.

(iv) Independence of the Independent Non-executive Directors

The Company confirms that the Board has received from each of the Independent Non-executive Directors, namely, Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai, Dr. Lam Lee G. and Dr. Fang Fuqian, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and, having taken into account the factors as set out in Rule 3.13 of the Listing Rules in assessing the independence of Independent Non-executive Directors, the Company considers that all Independent Non-executive Directors are independent.

Throughout the Year and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the Independent Non-executive Directors representing at least one-third of the Board.

(v) Directors' Relationship

Save as disclosed in this Annual Report, there is no financial, business, family or other material or connected relationship between members of the Board.

(vi) Re-election of Directors

All Directors are subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

(vii) Directors' Ongoing Development

All Directors have the opportunities to receive professional training programmes arranged by the Company during their terms of appointment covering the topics of corporate governance, updates on the Listing Rules and other regulatory developments at the expense of the Company. Directors were encouraged by the Company to participate in the relevant continuous professional training to develop and refresh their knowledge and skills. The Company has also arranged for consultants to provide training programmes.

Corporate Governance Report

During the Year, the Company circulated reading materials covering updates on connected transactions. Every newly appointed Director has received induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors' training records during the Year under review are summarised as follows:

	Training on corporate governance, regulatory development and/or other suitable topics including Directors' inductions
Executive Directors	
Mr. Yu Meng *(Chairman)* (Appointed on 27 November 2018)	✓
Mr. Qin Ling *(Ex-Chairman)* (Resigned on 27 November 2018)	✓
Mr. Zhang Fan (Appointed on 13 March 2018)	
Mr. Xu Xiaowu *(Ex-Chief Executive Officer)* (Resigned on 13 March 2018)	✓
Mr. Liu Xiguang	✓
Mr. Kwan Wai Ming	✓
Non-Executive Director	
Ms. Lin Xueqin	✓
Independent Non-Executive Directors	
Mr. Chan Kee Huen Michael	✓
Mr. Tse Chi Wai	✓
Dr. Lam Lee G.	✓
Dr. Fang Fuqian	✓

Chairman and Chief Executive

The roles of Chairman and chief executive of the Company are separated and exercised by different individuals.

Mr. Yu Meng is the Chairman of the Company. He is responsible for the leadership of the Board, formulating and overseeing the overall corporate directions and corporate strategies of the Company, and driving the Board and the individual directors to perform to the best of their ability.

Mr. Zhang Fan is the Deputy Chief Executive Officer of the Company, who assumes the duties of the chief executive officer of the Company. He is delegated with the authority to be responsible for the day-to-day management of the Company, the coordination of overall business operations as well as the effective implementation of the strategies, directions and policies of the Company.

Non-Executive Director

The only Non-executive Director is appointed for a term of three years, and the appointment is renewable from time to time, subject to retirement by rotation and re-election at the AGM in accordance with the Articles.

Board Committees

The Board has established four committees of the Board, including the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee for overseeing the respective aspects of the Company's affairs.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expense in appropriate circumstances.

Corporate Governance Report

(i) Audit Committee

The Audit Committee was established on 8 December 2014 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Audit Committee was chaired by Mr. Chan Kee Huen Michael, with two other members namely Mr. Tse Chi Wai and Dr. Fang Fuqian as at 31 December 2018. All committee members are Independent Non-executive Directors and each of Mr. Chan Kee Huen Michael and Mr. Tse Chi Wai possessed the professional qualifications and financial management expertise required under the Listing Rules.

During the Year, the Audit Committee held three meetings to discuss and review, inter alia, the interim and annual financial statements, the submission and publication of the interim and annual reports, the change of auditors, the corporate governance, the review of risk management and internal control system and the effectiveness of the internal audit function of the Group, and review on certain matters in relation to an internal investigation.

The Company believes that a clear definition on the separate roles of the management, the external auditors and Audit Committee members is crucial to the effective functioning of an audit committee. The Board is responsible for selecting appropriate accounting policies and the preparation of the financial statements. The external auditors are responsible for auditing and attesting to the Company's financial statements and evaluating the Company's system of internal controls, to the extent that they consider necessary to support their audit report. The Audit Committee is responsible for overseeing the entire process.

The major functions and duties of the Audit Committee mainly include:

- reviewing the Group's interim and annual financial statements and the interim and annual reports before submission to the Board for approval;
- reviewing the financial reporting obligations and considering any matters raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and the effectiveness of the audit process in accordance with applicable standards;
- approving the remuneration and terms of engagement of external auditor and making recommendations on the appointment, re-appointment or removal of external auditor;
- reviewing the internal audit programme and ensuring that the internal audit function is adequately resourced and effective, and considering any major findings of internal control matters; and
- reviewing the financial control, internal control and risk management systems of the Group and ensuring that the management has discharged its duty to have effective risk management and internal control systems, in particular, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

(ii) Nomination Committee

The Nomination Committee was established on 8 December 2014 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Nomination Committee was chaired by Mr. Yu Meng (Executive Director and Chairman of the Board), the Chairman, with four other members, of which all of them were Independent Non-executive Directors namely Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai, Dr. Lam Lee G. and Dr. Fang Fuqian as at 31 December 2018.

Corporate Governance Report

Mr. Qin Ling ceased to be the Chairman and a member of the Nomination Committee with effect from 27 November 2018. Mr. Yu Meng was appointed as the Chairman of the Nomination Committee with effect from 27 November 2018.

During the Year, the Nomination Committee held two meetings to consider and recommend candidates for the directorship and the corresponding terms of appointments, assess the independence of the Independent Non-executive Directors, review and make recommendation to the Board on the structure, size and composition of the Board, and to review the retirement and rotation plan of the Directors.

The principal role and responsibilities of the Nomination Committee mainly include giving full consideration to succession planning for Directors and senior management, identifying individuals suitably qualified to become Board members and assessing the independence of the Independent Non-executive Directors. In order to achieve a balanced and appropriately qualified Board, the Nomination Committee is also responsible for reviewing the structure, size and composition, including the skills, knowledge, diversity and experience, of the Board, and advising the Board as to any changes that may be required.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider, amongst others, the candidate's reputation for integrity, professional knowledge, industry experience, commitment in respect of available time, merit and potential contribution, independence and other relevant criteria necessary to achieve the Board's diversity and complement the board succession planning considerations and the long-term needs of the Company, where appropriate, before making recommendation to the Board. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, if necessary, to fulfil the requirements for professional knowledge and industry experience of any proposed candidates.

(iii) Remuneration Committee

The Remuneration Committee was established on 8 December 2014 with written terms of reference posted on the websites of the Company and the Stock Exchange. The Remuneration Committee was chaired by Mr. Tse Chi Wai, being an Independent Non-executive Director, with two other members namely, Mr. Zhang Fan and Mr. Chan Kee Huen Michael as at 31 December 2018. Majority of whom are the Independent Non-executive Directors.

The principal role and responsibilities of the Remuneration Committee mainly include making recommendations to the Board on the Company's policy, structure and packages for all remuneration of Directors and senior management; reviewing and approving performance-based remuneration and the terms of service contracts of the Directors and senior management, reviewing and approving the compensation payable in connection with any loss or termination of office or appointment of Directors and senior management, overseeing any major changes in employee benefits structures throughout the Company or the Group; and reviewing the on-going appropriateness of the remuneration policy. No Director or senior management was allowed to involve in deciding his/her own remuneration package.

The Remuneration Committee held two meetings during the Year to review the policies for the remuneration of Directors, assessing performance of Directors and approving the terms of Directors' service contracts.

Details of Directors' emoluments, five highest paid individuals and the remuneration of the members of the senior management by band during the Year are set out in notes 14 and 15 to the consolidated financial statements.

Corporate Governance Report

(iv) Risk Management Committee

The Risk Management Committee was established on 13 April 2017 with written terms of reference accessible on the website of the Company. The Risk Management Committee was chaired by Mr. Liu Xiguang, being an Executive Director and the Chief Risk Officer of the Company, with four other members, namely Mr. Yu Meng (Executive Director), Mr. Zhang Fan (Executive Director), Ms. Lin Xueqin (Non-executive Director) and Dr. Lam Lee G. (Independent Non-executive Director) as at 31 December 2018.

Mr. Yu Meng was appointed as a member of the Risk Management Committee with effect from 27 November 2018.

During the Year, the Risk Management Committee held one meeting to receive report on the results of the review of the risk management system and opinion, discuss the measures to the risks (which may have significant impact to the Group) identified, and review the effectiveness of the risk management system.

The principal role and responsibilities of the Risk Committee include reviewing the Group's risk management system and framework, advising the Board on the current risk exposures of the Group and future risk strategy and considering emerging risks relating to the Group's business and strategies.

Board Diversity

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. As such, the Company adopted a board diversity policy in 2017, which is summarised as follows:

In order to achieve a truly diverse Board, selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

With the implementation of the board diversity policy, the Board has achieved to be composed of members from a diverse background other than solely from investment and financial professions during the Year. The Company excels in gender equality as female Directors account for one-ninth of the whole Board. Three Independent Non-executive Directors are qualified accountants. There is also an Independent Non-executive Director who is a qualified solicitor. Four Directors have experience sitting on the boards of other companies listed on the stock exchange of Hong Kong and the PRC. The Directors have extensive experiences in the finance industry, investment, business management, accountancy profession, securities industry, banking industry, engineering, government institutions, legal profession and academic profession, and exposure or experience in various countries including the PRC, etc. They are members, or committee or panel members of various industry bodies, public service or government bodies. The Directors bring a wealth of diverse experience to the Board, which is conducive to the growth of the Company over the years.

Dividend Policy

A policy on payment of dividends is in place and sets out the factors in determination of dividend payment of the Company. The amount, form and frequency of dividend declaration and payment shall be at the sole and absolute discretion of the Board. The Board shall monitor the implementation of such policy and review it, as appropriate, to ensure compliance with such policy and discuss and approve any revision as and when require.

Corporate Governance Report

Auditor's Remuneration

For the year ended 31 December 2018, the remuneration payable or paid to the Group's independent external auditor, Deloitte, in respect of audit and non-audit services provided to the Group is set out as follows:

	For the year ended 31 December 2018 HK$
Services rendered for the Group	
Audit services	**2,800**
Interim results review	**900**
Non-audit services (include taxation and other professional services)	**30**
Total Fees	**3,730**

The responsibilities of the external auditor with respect to financial reporting are stated in the Independent Auditor's Report.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group and of the results of its operations and its cash flows, in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the Independent Auditors' Report contained in this Annual Report.

Corporate Governance Function

In order to achieve enhanced corporate governance of the Company, the Board has committed to constantly review the Company's policies and practices on corporate governance, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual applicable to employees and the Directors, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. During the Year, the Board performed the duties relating to corporate governance matters as aforementioned.

Nomination Policy

The Company adopts a nomination policy to ensure that all nominations of the members of the Board are fair and transparent in order to facilitate the constitution of the Board with a balance of skills, experience and diversity of perspectives that is appropriate to the requirements of the Company's business.

Corporate Governance Report

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- reputation for integrity
- accomplishment and professional knowledge and industry experience which may be relevant to the Company
- commitment in respect of available time
- merit and potential contributions that such candidate could bring to the Board with reference to the Company's board diversity policy (as adopted and amended by the Board from time to time), including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, independence, skills, knowledge and length of service
- in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among other things, the independence criteria as set out in Rule 3.13 of Listing Rules; and (ii) the guidance and requirements relating to independent non-executive directors as set out in Code Provision A.5.5 of Appendix 14 to the Listing Rules and in the "Guidance for Boards and Directors" published by the Stock Exchange
- board succession planning considerations and the long-term needs of the Company

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to consider any other factors and matters and nominate any person, as it considers appropriate.

Nomination Procedures

If the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board.

On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate(s) as director(s) to fill a casual vacancy(ies) or as an addition to the Board or recommend such candidate to shareholders for election or re-election (where appropriate) at the general meeting.

Risk Management and Internal Controls

The structure of the risk management and internal control system comprised the Board, the Audit Committee, the Risk Management Committee and certain internal committees of the Group. A comprehensive structure ensures that a highly effective risk management and sound internal control are in place in response to the daily operation of the Group.

Corporate Governance Report

The Board acknowledges overall responsibilities for maintaining effective risk management and internal control systems of the Group and evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's objectives. The Board oversees the Group's risk management and internal control system on an ongoing basis and the reviews of their effectiveness which are conducted annually through its Audit Committee and its Risk Management Committee.

Supported by the internal committees and the management team of the Group, Risk Management Committee assists the Board in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies and giving guidelines where appropriate, and ensuring the soundness and effectiveness of the Group's risk management system. The internal committees and the management team of Group is responsible for designing, implementing and monitoring the risk management process which involves identification, analysis, evaluation, mitigation, reporting and monitoring of risks through meetings and approval procedures. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. They will also provide regular reports to the Audit Committee, Risk Management Committee and the Board on the effectiveness of these systems.

With the delegation from the Board, the Audit Committee oversees the Group's internal control systems which comprises, among others, a well-defined governance structure with clearly defined lines of responsibility and authority and relevant financial, operational and compliance controls and risk management procedures. In particular, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are also reviewed annually by the Audit Committee that the review result for the Year was satisfactory. The Executive Directors review monthly management reports and hold periodical meetings with senior operational and finance management to discuss business performance and market outlooks.

The external internal audit consultant of the Company together with the in-house internal audit team report directly to the Audit Committee and the Risk Management Committee and are independent of the Company's daily operation. They are responsible for conducting regular internal audit on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

The risks which may have significant impact to the Group were identified from internal and external environments and were managed properly. An annual review of the internal control and risk management systems of the Group for the Year was conducted, and report on the results of the review and opinion were submitted to the Audit Committee and the Risk Management Committee. The Audit Committee and the Risk Management Committee reviewed the reports and followed up on the implementation of the action plan, and reported to the Board.

The Company has established disclosure mechanism regarding the procedures of proper information disclosure to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

Based on the reports from the Audit Committee and the Risk Management Committee, the Board is satisfied with the effectiveness of the Group's risk management and internal control systems for the Year as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

Company Secretary

During the Year, the Company Secretary undertook over 15 hours of professional training to update the skills and knowledge.

Corporate Governance Report

Shareholders' Rights

Procedures for Convening General Meetings by Shareholders

Pursuant to Article 64 of the Articles, the Board may whenever it thinks fit call extraordinary general meetings.

Extraordinary general meetings shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

Such requisition shall be made in writing to the Board or the Company Secretary by mail at Room 3201, 32/F, Two Pacific Place, 88 Queensway, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

Shareholders are requested to follow Article 64 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Procedures for convening general meetings by shareholders".

Pursuant to Article 113 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Investor Relations and Communication with Shareholders

The Board maintains an ongoing dialogue with Shareholders and in particular, endeavours to provide transparency and uses the AGMs to communicate with Shareholders. Besides, the Company's official website serves as a handy communication channel for the Shareholders.

Press releases and announcements about the Company's are made from time to time. The Company informs Shareholders of the procedure for voting by poll in the circular to Shareholders, and ensures compliance with the requirements regarding voting by poll contained in the Listing Rules and the Articles. Specific enquiries by Shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's business address in Hong Kong at Room 3201, 32/F, Two Pacific Place, 88 Queensway, Hong Kong or by email at enquiry@hriv.com.hk. Shareholders may also make proposals at the general meetings.

Constitutional Documents

There was no significant change in the Company's constitutional documents during the Year.

Environmental, Social and Governance

I. Preamble

As one of the prominent enterprises with a headquarter based in Hong Kong, the Group has mainly been engaged in the business of direct investment, financial services and others, and foundation and substructure construction services. With such a diversified pattern of business segments, the Group has long been committed to embedding the concept of sustainable development into its business strategy and decision making, thereby better pricing the risks and opportunities brought by global climate change. As such, the Group has paid great attention to its ESG related issues and taken a variety of effective measures to lower its business impact on the environment and to fulfill its social responsibilities. With a strong aspiration and commitment to forge an eco-friendly, resilient and reliable enterprise that pioneers in sustainable development compared to its peers in the industry, the Group benchmarks the best ESG practice around the world and has established internal sustainability targets and metrics that promote the implementation of relevant policies. Looking for innovative approaches to developing its business in a sustainable way, the Group aims to play a leading role in addressing climate-related risks in the industry and bend every effort for the accomplishment of global sustainable development goals through responsible investment, partnership building in financial services, and the adoption of environmentally-friendly ways for construction.

To create shared value to all and lower the Group's underlying negative impact on the environment, the Group has laid emphasis on the function of the Board in the implementation of sustainable management approach and practice. An effective oversight of the Board and clear articulation of the value proposition are widely acknowledged as an important enabler of the acceleration of corporate sustainable development. To ensure that the Board of the Group has the access to the latest ESG information in the market and more importantly, could be updated of the current corporate ESG management promptly, including the implementation of relevant ESG policies, identification of potential risks alongside business development, corresponding remediation approaches, and building of the road to resilience, the Board assumes full responsibility for the strategic planning and supervision of the Group's ESG practice. As such, the office of the Board comprised of a dedicated team of professionals that are responsible for daily ESG management within each business division of the Group has been built. The team is led and subject to supervision by the Chairman of the Board, in which staffs are mainly in charge of the enforcement, review and report of the implementation of proposed ESG policies. Through myriads of communication channels such as meetings, emails and annual ESG report, the Board is able to receive any internal change in different units or market fluctuation rapidly, and therefore could dope out effective plans to address potentially environmental and social risks in advance. What is more, a periodic review and adjustment on the Group's sustainability policies is regarded as an effective way the Group adapts its present business model to the ever-changing macro-environment in order to both satisfy the needs of its stakeholders and keep competitive in the industry.

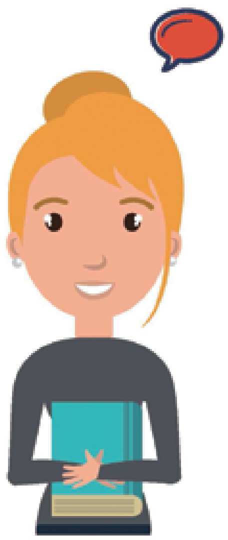
Environmental, Social and Governance

Generally, the Top-down and Bottom-up approaches have been applied in the Group's sustainability governance at the same time, which the Group believes are of paramount importance to foster a corporate culture that allows an expeditious handling of any ESG matters and a barrier-free communication between the Board, management and general employees.

The Group sees sustainability as an essential to the development of the Group's overall long-term success and is pleased to present its third ESG Report to further demonstrate the Group's approach and performance in terms of its progress toward sustainable development for the Year. This ESG report was prepared in full compliance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited's website. Details of its management approach in both the environmental and social aspects can be found throughout different sections of this ESG Report.

Environmental, Social and Governance

II. Messages from the Board



The corporate vision and value of Huarong Investment Stock Corporation Limited toward sustainable development are always at the heart of our success, and we are very confident and proud of our talented and dedicated staffs' commitment to do their work responsibly while producing fantastic outcomes for our valued clients.

There is no denying that climate change is happening around us and has complex and long-lasting influence upon our business development, and strategic and financial planning. Meanwhile, given the large-scale and long-term nature of problems caused by climate change, resolving such financial implication appears to be uniquely challenging, especially in the context of economic decision making. As such, what we need to do in the first place is to correctly perceive what climate-related risks and potential opportunities are to us and then dig deeper to figure out how they will affect our business in the future should the decision be made today. To do so, we have fully aligned our business with the 'Recommendations of the Task Force on Climate-related Financial Disclosures' by engaging our stakeholders in analysing the inherent connections between our business development and the change of macro-environment. We take 'unsuccessful judgement and investment in new technologies' as the underlying climate-related risk, which would probably have major impact on our operations according to our comprehensive evaluation. To address such risk, not only did we promote paperless office, establish different sustainability goals and enhance the monitoring on the effectiveness of implementation of relevant policies, we hope to strengthen our efforts on the collaboration with external professionals and organisitions that enable a timely update and precise estimation of any market change and risk identification. With a strong risk management and building of resilience, we are committed to improving our adaptability to face climate-related risks and incorporating the Environmental, Social and Governance mindset into our business decision making that advances informed investment.

III. Reporting Period and Scope of the Report

This ESG Report covers the environmental and social performance within the operational boundaries of the Group, which includes 1) investment business (including direct investments, and financial services and others) in Hong Kong, Shenzhen, and Beijing; and 2) the foundation and substructure construction services in Hong Kong. For corporate governance section, please refer to this Annual Report pages 27 to 38. The reporting period of this ESG report is from 1 January 2018 to 31 December 2018. The information in this ESG Report was gathered through numerous channels, including official documents and statistics of the Group, the integrated information of supervision, management and operation in accordance with the relevant policy, the internal quantitative and qualitative questionnaires based on the reporting framework, and sustainability practices provided by subsidiaries of the Group. To deliver a formalised and internationally compatible ESG report that appeals to our global readership, the Group referenced Global Reporting Initiative ("GRI") Sustainability Reporting Standards, a widely-accepted reporting instrument, to improve the integrity, international compatibility and industrial comparability of the report. A complete content index and a GRI linkage table are available at the end of the ESG report for readers' convenience.

Environmental, Social and Governance

IV. Stakeholder Engagement

An effective communication with both internal and external stakeholders is essential to keeping the Group adaptable to the ever-changing market in business development and vital to delivering the Group's environmental, social and economic commitment to long-term value creation. A stable relationship between the Group and its stakeholders with open communication channels can not only boost the level of the Group's sustainability, but also help the Group gain a better understanding of those topics material and relevant to different groups of stakeholders, thereby further controlling the underlying risks and capturing the potential opportunities.

Environmental, Social and Governance

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Anti-corruption policies – Occupational health and safety	– Supervision on complying with local laws and regulations – Routing reports and taxes
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' remuneration and benefits – General employees' satisfaction by making their voice heard – Health and safety in the working environment – The promotion of paperless office to reduce daily waste	– Performance reviews – Regular training programs – Meetings (private meetings or AGMs) – Questionnaires and online engagement – Written comments/responses – Emails, notice boards, hotline, caring activities with management
Customers	– Production quality assurance – Protect the rights of customers	– Customer satisfaction survey – Face-to-face meetings and on-site visits – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation – Environmental protection – Protection of intellectual property rights	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits – Industry seminars – Questionnaires and online engagement
General public	– Involvement in communities – Business compliance – Awareness of environmental protection	– Media conferences and responses to enquiries – Conferences – Public welfare activities – Face-to-face interview

With the goal to strengthen corporate sustainability management while enhancing stakeholders' awareness of ESG issues, the Group has put tremendous efforts into its internal and external stakeholder inclusiveness. The Group highly values the feedback from its stakeholders and has taken initiatives to build a trustful and supporting relationship with them through their preferred communication channels. Thus, the Group has carefully evaluated its stakeholders' genuine concerns regarding corporate ESG enhancement and United Nations Sustainable Development Goals ("UN SDGs"), and commits to resolve the problems in a proper manner based on continuous, concise and effective surveys and communications. With the survey initiated by an external sustainability consultancy agency in the Year, for example, the Group realised that a vast majority of sectors of the community expected us to care more about the environmental and ecological impact of each project the Group invests in. In response to the expectation, the Group commits to keep monitoring how its investment funds flow and work. The Group hopes to understand stakeholders' concerns nowadays, while endeavouring to make its material stakeholders more aware of the targets and progress of UN SDGs.

Environmental, Social and Governance

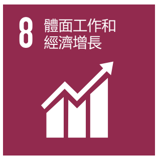
According to the result of the survey, it was found that to those well-selected stakeholders, Goal 3, Goal 8, Goal 10, Goal 11 and Goal 12 below turned out to be the most concerned sustainability issues, which ranked top among all 17 topics in terms of the degree of stakeholders' attention and interest.

- Goal 3: Good health and well-being for people – 'Ensure healthy lives and promote well-being for all at all ages.'
- Goal 8: Decent work and economic growth – 'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.'
- Goal 10: Reducing inequalities – 'Reduce income inequality within and among countries.'
- Goal 11: Sustainable cities and communities – 'Make cities and human settlements inclusive, safe, resilient, and sustainable.'
- Goal 12: Responsible consumption and production – 'Ensure sustainable consumption and production patterns.'

Source: http://www.undp.org/content/undp/en/home/sustainable-development-goals.html

To address these stakeholders' concerns in the achievement of SDGs and align its business strategy with international standards and requirements, the Group plans to make solid contributions to global sustainable development in the following areas:

To ensure the health and well-being of all employees in the company, the Group has provided health insurance and annual physical examinations to its staff. Besides, mental health shares the same importance as physical health to the Group, which commits to organise more meaningful excursions and activities to its employees in the future.



The Group has always been committed to creating a professional platform and working condition that allows for quality job and decent salary to its employees. To do so, the Group takes into consideration employees' performance and corporate financial revenue in the Year with the provision of competitive compensation and annual bonuses.

By formulating and adopting internal policies, especially fiscal, wage and social protection policies, the Group hopes to eliminate any inequalities across the enterprise and ensure that salaries, benefits and promotion opportunities are irrespective of age, sex, disability, race, ethnicity, origin, religion or any other discriminatory factors.

The Group fully supports an eco-friendly municipal waste management system and implements internal policies that promote the solid waste classification in offices. Meanwhile, the Group highly encourages its employees to reduce their daily waste.

Aiming at 'Doing more and better with less', the Group advocates the concept of responsible consumption of natural resources. Apart from '3R' - Reduce, Reuse and Recycle materials, the Group also commits to allocate more to the exploration of more advanced approaches in its business.

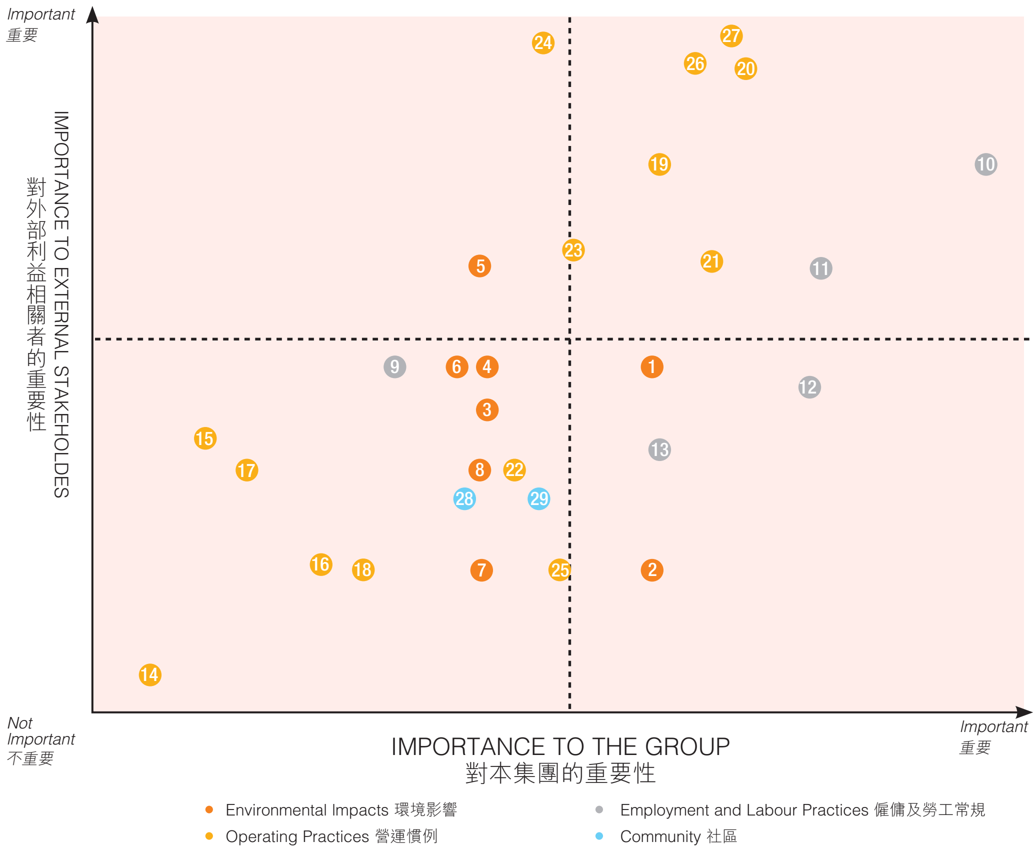
Environmental, Social and Governance

Materiality Assessment

Since ESG-related risks and opportunities for companies vary across industries and more importantly depend on corporate business models, the Group therefore undertook an annual review to pinpoint its stakeholders' main concerns and material interests to disclose and enhance its ESG management. In the Year, the Group engaged its stakeholders in a materiality assessment survey initiated by an independent third-party agency in order to guarantee the accuracy and objectivity of evaluation. Specifically, internal and external stakeholders including customers, suppliers, business partners, board members and employees from various business units of the Group were carefully evaluated based on their influence and dependence on the Group. A list of carefully-selected stakeholders with high levels of influence and dependence on the Group stood out from many stakeholders and were then invited to participate in this online survey to express their concerns on the well-designed sustainability issues. This online survey was comprised of numerous questions derived from 'Environmental, Social and Governance Reporting Guide' and 'Recommendations of the Task Force on Climate-related Financial Disclosures' that were believed as material and relevant to the Group's business development from stakeholders' standpoint. Through such objective, transparent and decision-useful materiality assessment to prioritise the topics from the entire inventory of ESG issues, the Group formulated a materiality assessment matrix, which could genuinely reflect the real concerns of its stakeholders on ESG matters and facilitate the Group to develop action plans for effective ESG management in the near future.

Environmental, Social and Governance

Stakeholder Engagement Materiality Matrix 利益相關者的參與重要性分析矩陣



1	Air and greenhouse gas ("GHG") emissions 大氣污染物和溫室氣體的排放	11	Occupational health and safety 職業健康與安全	21	Marketing and promotion 行銷和推廣
2	Sewage treatment 污水處理	12	Employee development and training 僱員發展及培訓	22	Observance and protection of intellectual property rights 遵守和保護知識產權
3	Land use, pollution and restoration 土壤的使用、污染和恢復	13	Prevention of child and forced labour 防止僱傭童工和強制勞工	23	Quality control and management of products 產品品質保證和管理
4	Solid waste treatment 固體廢物處理	14	Suppliers' geographical regions in which materials are sourced 供應商按地區分類情況	24	Protection of consumer information and privacy 顧客資訊和隱私保護
5	Energy use 能源使用	15	Selection of suppliers and assessment of their products/services 供應商選擇及其產品／服務的評估標準	25	Labelling relating to products/services 與產品／服務相關的標籤問題
6	Water use 水資源使用	16	Environmental protection assessment of the suppliers 供應商的環保評估	26	Prevention of bribery, extortion, fraud and money laundering 防止賄賂、勒索、欺詐和洗黑錢
7	Use of raw/packaging materials 原材料／包裝材料的使用	17	Social risks assessment of the suppliers 供應商的社會風險評估	27	Anti-corruption policies and whistle-blowing procedures 反貪污政策及舉報流程
8	Mitigation measures to protect natural resources 環保措施	18	Procurement practices 採購措施	28	Understanding local communities' needs 了解當地社區需求
9	Composition of employees 僱員組成	19	Health and safety relating to products/services 產品／服務健康和安全	29	Public welfare and charity 公益和慈善
10	Employee remuneration and benefits 僱員薪酬條件和福利政策	20	Customer satisfaction 顧客滿意度		

Environmental, Social and Governance

Given the materiality assessment matrix, the Group identified *'Employee remuneration and benefits', 'Customer satisfaction', 'Anti-corruption policies and whistle-blowing procedures', 'Marketing and promotion', 'Health and safety relating to products/services, and 'Prevention of bribery, extortion, fraud and money laundering'* as issues of high importance. As such, the Group has put its focus of ESG management on these topics in particular and formulated policies accordingly. The corresponding management approach and corporate performance are disclosed comprehensively in this ESG report.

To the Group, this materiality assessment not only has prioritised what stakeholders paid close attention to in terms of ESG matters, but will act as a beacon brightening the path ahead of the Group that requires strenuous efforts on the adjustment of the Group's sustainability strategies and operating practices. The Group commits to dedicate itself to resolving those matters so as to address its stakeholders' long-lasting concerns.

Stakeholders Feedback

As the Group strives for excellence, stakeholders' valuable feedback is always welcomed, especially on topics listed as the highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcomed to share their views with the Group through email at enquity@hriv.com.hk.

V. Environmental Sustainability

To seek for long-term sustainability of the environment and community where it operates, the Group has been quite prudent in controlling its emissions as well as the consumption of resources, and strictly complied with relevant environmental laws and regulations in Hong Kong and the PRC during its daily operations, including but not limited to:

- *Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法);*
- *Air Pollution Control Ordinance (Cap. 311 of the Laws of Hong Kong);*
- *Water Pollution Control Ordinance (Cap. 358 of the Laws of Hong Kong);*
- *Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong);*
- *Noise Control Ordinance (Cap. 400 of the Laws of Hong Kong); and*
- *Environmental Impact Assessment Ordinance (Cap. 499 of the Laws of Hong Kong).*

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in the Year.

A.1. Emissions

The Group has complied with the relevant national and local environmental laws in terms of industrial emissions set out in the operating regions. In the Year, the Group found no disregard to influential laws relevant to GHG emissions, discharges into water and land, generation of hazardous and non-hazardous waste, and noise. The Group is committed to mitigating its environmental impacts by taking effective measures, such as the smart control of the Group's resource consumption and the upgrade of outdated equipment that performs poorly in energy efficiency, especially in the business of foundation and substructure construction services.

Environmental, Social and Governance

Investment Business

Since the investment business takes place in the office, the principal emissions from this business segment are GHG emissions from the consumption of gasoline for transportation and purchase of electricity for office lighting, commercial solid waste and sewage generated from staffs at offices. Other air emissions, such as sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM") are mainly from fuel combustion during transportation, which amounted to 0.43, 18.92 and 1.39 Kg, respectively. Greenhouse gases are a major contributor to climate change and are governed by the United Nations ("UN") 'Framework Convention on Climate Change' and the subsequent UN 'Kyoto Protocol' strictly. During the Year, the Group's total GHG emissions in this business segment added up to 259.68 tonnes CO_2e, with an intensity of 3.21 tonnes CO_2e/employee. The amount of non-hazardous solid waste from offices in this business segment was recorded to be 13.4 tonnes, while wastewater from offices was handled by the property management of buildings and thus no data could be retrieved. In the Year, the Group did not generate any hazardous solid waste or wastewater during its daily operations in the offices. The total emissions from investment business of the Group in the Year are summarised in Table 1 below.

Table 1 The Group's Total Emissions by Category from Investment Business in the Year

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in the Year	Intensity (Per Employee) in the Year (note 1)
Air Emissions	SOx	Kg	0.43	5.31×10^{-3}
	NOx	Kg	18.92	0.23
	PM	Kg	1.39	0.02
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	75.13	–
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	177.16	–
	Scope 3 (Other Indirect Emissions) (note 2)	Tonnes CO_2e	7.39	–
	Total (Scope 1 & 2 & 3)	Tonnes CO_2e	259.68	3.21
Non-hazardous Waste	Solid Wastes	Tonnes	13.40	0.17
	Wastewater	Tonnes	–	–

Notes

1. *Intensity was calculated by dividing the amount of air, GHG and other emissions by the average workforce in Investment Business of the Group in the Year, which was 81;*

2. *The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills;*

3. *The methodology adopted for reporting on GHG emissions set out above was based on the "How to Prepare an ESG Report ? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited.*

To efficiently manage the commercial solid waste, the Group has adopted various measures, such as using centralised garbage can for the collection of waste in the offices. Besides, the Group has put efforts into waste classification. The sorted municipal solid waste from offices is normally handled by the property management of the building, and then disposed of at landfills by the government.

Environmental, Social and Governance

Given the commitment of the Group to sustainable waste management, effective actions to reduce, reuse and recycle materials have been taken in all offices, as highlighted below in particular:

- Recycle as much solid waste as possible through classification process;
- Educate all employees on reducing the use of disposable items such as plastic tableware;
- Purchase microwaves in the offices to encourage employees to take lunch boxes by themselves instead of ordering take-away food, which could largely reduce the waste of food packages; and
- Advocate the reuse of office stationeries;

In the Year, the wastewater generated from offices of the Group was directly discharged into the building sewerage network and handled by the property management. Since the amount of wastewater highly depends on the amount of fresh water used, the Group has taken specific measures, further described in the next subsection under "Wastewater", to reduce its water consumption in the offices.

Foundation and Substructure Construction Services

Table 2 The Group's Total Emissions by Category from Foundation and Substructure Construction Services in the Year

Emission Category	Key Performance Indicator (KPI)	Unit	Amount in the Year	Intensity* (Per Employee) in the Year (note 1)
Air Emissions	SOx	Kg	21.98	0.37
	NOx	Kg	18,413.11	115.08
	PM	Kg	1,824.52	11.40
GHG Emissions	Scope 1 (Direct Emissions)	Tonnes CO_2e	3,703.26	–
	Scope 2 (Energy Indirect Emissions)	Tonnes CO_2e	257.16	–
	Scope 3 (Other Indirect Emissions) (note 2)	Tonnes CO_2e	–	–
	Total (Scope 1 & 2 & 3)	Tonnes CO_2e	3,960.42	24.75
Construction Waste	Solid Wastes	Tonnes	65,200	407.50
	Wastewater	Tonnes	–	–

Notes:

1. *Intensity was calculated by dividing the amount of air, GHG and other emissions by the average workforce in foundation and substructure construction services of the Group in the Year, which was 160;*

2. *The Group's Scope 3 (Other Indirect Emissions) included only paper waste disposed of at landfills;*

3. *The volume of wastewater on site was not estimated this year. To better manage the sewage from this business segment, however, the Group commits to put more efforts into monitoring the exact amount of wastewater it generates and discharges during operations in the near future;*

**** *The methodology adopted for reporting on GHG emissions set out above was based on the "How to Prepare an ESG Report ? – Appendix 2: Reporting Guidance on Environmental KPIs" issued by Hong Kong Exchanges and Clearing Limited.*

Environmental, Social and Governance

Air & GHG Emissions

Air and GHG emissions generated by foundation and substructure construction services of the Group mainly come from the use of gasoline, diesel and electricity by onsite machineries and heavy vehicles for operation and transportation purposes. The Group has set up internal policies, which are further described in the next subsection under “Electricity” and “Other energy resources”, to reduce the air and GHG emissions.

Wastewater

The onsite operations normally generate sewage. The Group has deployed onsite wastewater treatment facilities to treat the sewage, which needs to meet the conditions of Water Pollution Control Ordinance (WPCO) license prior to discharging process. To lower the impact of sewage discharging to the environment, a sedimentation tank for wastewater treatment has been set up to treat the muddy water operations, during which the coagulant has been adopted to enhance sedimentation efficiency. To better manage the sewage from this business segment, the Group commits to put more efforts into monitoring the exact amount of wastewater it generates and discharges during operations in the near future.

Solid Wastes

This business segment generates excess mud in its operations. The Group has strictly complied with the Waste Disposal Ordinance during its waste management. Specifically, certified waste collector would transport the mud and other construction wastes (e.g. gravels) to specific landfills for disposal or other construction sites for reuse. Certain land excavation waste is directly transported to backfill where in need, while the recyclable wastes are collected altogether and then transferred to the recycling station for reuse.

Noise

The Group has been in strict compliance with the Noise Control Ordinance and only uses certain equipment within permitted time period. The Group has installed facilities to mitigate the effect of noise on the surroundings. For instance, the noise barrier has been widely adopted on site to reduce the noise in an effective way. What is more, aiming to control the noise at source, the Group has purchased the equipment with Quality Powered Mechanical Equipment Label, which benchmarks construction equipment items that are newer, notably quieter, more environmentally friendly and efficient.

A.2. Use of Resources

In the Year, primary resources consumed by the Group were electricity, water, diesel, gasoline and paper. Given the nature of business, the Group did not consume any packaging material during the Year under review. Table 3 illustrates the amount of different resources used by the Group.

Environmental, Social and Governance

Table 3 Total Resource Consumption of the Group in the Year

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount in Investment Business	Intensity* (note 1) (Per Employee) in Investment Business	Amount in Foundation and Substructure Construction Services	Intensity (note 1) (Per Employee) in Foundation and Substructure Construction Services
Energy	Electricity	kWh	222,863	2,751.40	386,700	2,416.88
	Gasoline	L	29,380	362.72	32,000	200.00
	Diesel	L	–	–	1,336,000	8,350.00
Water	Water	m^3	2,750 (note 2)	–	39,500	246.88
Paper	Paper	Kg	1,540	19.01	–	–

Notes:

1. *Intensity was calculated by dividing the amount of energy, water and paper by the average workforce of the Investment Business and foundation and substructure construction services of the Group in the Year, which was 81 and 160, respectively;*

2. *Only the amount of water consumed in the office of Hong Kong was retrieved in investment business.*

Investment Business

Electricity

The electricity consumed by this business segment of the Group mainly comes from the operation of electrical equipment and device in the offices, where employees have stringently complied with relevant regulations and the Group's internal policy of electricity conservation. To greatly mitigate the consumption of electricity so as to diminish its GHG emissions, the Group has embedded the principle of 'Saving Electricity' into its business strategy and in particular implemented the following practices:

- Switch off all idle lights and air conditioners (e.g. most electrical equipment will be turned off during lunch time);
- Place 'Save electricity and turn off the light when you leave please' posters to encourage employees to conserve energy;
- Clean and maintain the electrical equipment in the offices (such as air conditioner and paper shredder) regularly to maintain their high efficiency;
- Adjust the set temperature of air conditioners in the offices based on the season;
- Educate workers and staffs at offices on the importance of energy conservation;
- Replace energy-intensive lamps with more efficient LED bulbs for office lighting; and
- Encourage all employees to open curtains and utilise the natural sunlight for lighting in the offices when possible.

Environmental, Social and Governance

Other energy resources

The Group has always been dedicated to reducing the use of fossil fuels and sees it as the key to its commitment of becoming an eco-friendly company. For instance, the Group highly encourages its employees to take public transports instead of driving to work, and to utilise the electronic device for online conference to avoid unnecessary travelling. Moreover, the Group spares no effort in the regulation of the use of vehicles within the Group by formulating detailed policies and cultivating the awareness of environmental protection amongst staffs. Lowering individual carbon footprint has long been an important task to the Group, which hopes to motivate every member of the company to make continuous efforts to understand, gauge and control their carbon emissions on a daily basis.

Water

The Group has laid emphasis on the education of water conservation among its employees. In the Year, the Group did not face any issue in sourcing water. To further improve the utilization efficiency of water resources, the Group adopted the following practices during the year under review:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid any leakage of the water supply system; and
- Strengthen the inspection and maintenance on water taps and water pipelines.

Paper

In the Year, investment business of the Group used a total of 1,540 kg paper for administrative operations. The Group strives to reduce paper produced at source by adopting the following practices:

- Choose suppliers with more environmentally-friendly paper source, so as to reduce the amount of tree losses while consuming the same amount of paper indirectly;
- Promote the concept of paperless office and office automation and disseminate information by electronic means (i.e. email or e-bulletin boards) as much as possible;
- Quantitatively control the procurement of office supplies, especially paper;
- Set duplex printing as the default mode for most network printers when printouts are needed;
- Spread the idea of "Think before print" by using posters and stickers in the offices to remind the staff of avoiding unnecessary printings;
- Reconsider boxes and trays as containers beside photocopiers to collect single-sided paper for reuse; and
- Use the back of old single-sided documents for printing or draft paper.

Foundation and Substructure Construction Services

The foundation and substructure construction services consumed electricity, gasoline and diesel for construction and transportation purposes during the year under review. Apart from energy, the Group also consumed water at the construction sites.

Electricity

The operation of electrical equipment and machineries at the construction sites require vast amounts of electricity. As such, the Group has taken various effective measures to increase the energy efficiency of onsite equipment. For instance, the construction sites in the Year were all installed timers connecting all the electrical equipment in the public area, in order to turn off all equipment at certain period altogether. Furthermore, machineries with 'Energy-Efficiency' labels have always been the top choice during the Group's procurement for its construction project.

Other energy resources

The Group has been committed to reducing the use of fossil fuel during construction and transportation, which is believed to be the culprit of the rise of GHG level in the atmosphere leading to global warming. Therefore, in the Year, the Group prioritised machineries approved with the Green Label by Environmental Protection Department of Hong Kong under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation during its procurement.

Water

Onsite water conservation has been paid great attention to by the Group. In the Year, the foundation and substructure construction services did not face any problem in sourcing water. The Group has organised several onsite meetings delving into more advanced and effective ways of saving water at all construction sites. All construction sites have been incentivised to reuse the wastewater as much as possible. For example, onsite wastewater is normally recycled and reused for wheel washing and spraying purposes after treatment, which has saved tonnes of water for the Group.

A.3. The Environment and Natural Resources

Being dedicated to making clear the linkages between climate-related issues and their potential implications on the current and future business strategy, the Group has put focus on monitoring its subtle relationship with the ever-changing market and environment during recent years. In spite of the minor dependence on the exploitation of natural resources and relatively insignificant impact on the environment during its operations, the Group has always been committed to seeing itself as a member of environmental protection campaign and insisted on minimising its environmental impact through technological innovation and raising people's environmental consciousness.

Specifically, for the foundation and substructure construction services, the Group has attached important to onsite waste management, which contains the decentralised sewage treatment, disposal of construction solid waste, and air pollution control by regulation of onsite machineries and equipment. For the Investment Business that operates in the offices, the Group is fully aware of the importance to promote paperless office and eco-friendly ways employees work. Precisely, the Group has held a multitude of meetings and seminars exploring environmentally friendly ways people work in the office. Through the popularisation of online contracts, online backup by archiving commercial records and files on the Cloud, and other software solutions in the offices, the Group commits to intelligentise and digitise its businesses that used to be beholden to paper. Moreover, employees are tremendously encouraged to travel backwards and forwards with public transport. Besides, the Group endeavours to cultivate the good habits of diligence and frugality in terms of the use of electricity and water among its employees by posting educational slogans in the lavatory, pantry and boardroom in the offices.

Environmental, Social and Governance

With an ambition to make continuous changes toward sustainable development, the Group keeps consolidating the success it has achieved, summarising the experience in the past, and learning more advanced techniques and knowledge from peers across the world, in order to preserve as much natural asset as possible and lower its potentially detrimental impact on the environment as soon as possible.

VI. Social Sustainability

Employment and Labour Practices

B.1. Employment

As a diversified enterprise that has been through continuous innovation in its technology application and integration of ESG criteria into decision making process during investment, the Group believes that an effective capital management and implementation of appropriate employment policies are the premise of corporate long-term stability and competitiveness. Hence, the Group treasures employee's talent and strives to provide its employees with a safe and suitable platform for gaining professional knowledge, developing vocational career and living a fulfilling life.

Law Compliance

The Group's employment policies have been generally summarised in the 'Staff Handbook' (員工手冊), which is updated and adjusted periodically in order to cater to the desire of market and to abide by the latest laws and regulations in Hong Kong and the PRC. In the Year, the Group complied with all relevant regulations material to the Group, including but not limited to the

- *Employment Ordinance (Cap. 57 of the Laws of Hong Kong);*
- *Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong);*
- *Labour Law of the People's Republic of China (中華人民共和國勞動法);*
- *Insurance Law of the People's Republic of China (中華人民共和國社會保險法); and*

Recruitment, promotion, compensation and dismissal

Recruitment is one of the most important parts in talent management as the Group believes in the importance of diversity and energy which new hires, especially fresh graduates, could bring to the company. Therefore, the Group has adopted a set of clear procedures regulated in 'Staff Handbook' (員工手冊) and various effective techniques to conduct its general and campus recruitment. Furthermore, to ensure that the recruitment practice is in line with relevant laws and regulations in Hong Kong and the PRC, the Group has regulated that:

a. All applicants should be treated equally and considerately with no unequal restrictions or preferential policies;

b. A transparent recruitment process is guaranteed and subject to supervision by the public, and will never be covertly manipulated;

c. No child labour is employed;

d. Discrimination during recruitment is resolutely eradicated;

Environmental, Social and Governance

e. Fair, competitive remuneration and benefits based on the individuals' educational background, personal attributes, job experiences, career aspirations and other factors are provided to eligible applicants; and

f. Salary and benefits provided to eligible male and female applicants should not be differentiated.

To provide a better and broader platform for development, the Group has formulated detailed compensation policies that regulate the procedures for employment, promotion and internal recruitment. For employee's promotion, the Group upholds the attitude of justness and offers equal opportunities to each employee. For example, the result of any personnel change including adjustment of position and job grade, needs to be announced internally, thereby guaranteeing the fairness and transparency. The Group actively explores more advanced corporate management approach and has therefore implemented a diversified remuneration policy based on performance-related pay. Specifically, to make sure that candidates and employees remain enthusiastic in their positions and take initiatives to accomplish tasks they are assigned to, the Group determines the relative value of each job position through position evaluation and references market benchmarks and industry standards in regulating employees' remuneration, benefits, promotion standard and other employment-related matters. In addition, a compensation structure chart that defines the salary range of each job level has been formulated for employee's better understanding of the compensation and benefit they deserve accordingly. As talent retention is vital to the sustainable business development, the Group reviews its compensation packages and performs evaluations on the employee's capability and performance on a regular basis. This ensures that all employees can be recognised by the Group appropriately with respect to their efforts and contributions, thereby raising their morale in the work.

Working hours and rest periods

The Group believes that striking a proper balance between work and leisure can help employees recharge their batteries and enhance the productivity of the company. Thus, the Group has formulated its policy based on local employment laws including Provisions of the State Council on Employees' Working Hours (國務院關於職工工作時間的規定) to determine the working hours and rest periods for employees. The Group keeps monitoring the working hours of its employees and has installed attendance management system to ensure that employees who work overtime could be compensated with extra pay or additional days off. On top of basic annual leave and statutory holidays employees of the Group are also entitled to extra leave benefits such as marriage leave, maternity leave and compassionate leave.

Equal opportunity and anti-discrimination

Gender equality and non-discrimination in the workplace is a widely discussed topic under various targets of SDGs. To the Group, which is an equal opportunity employer, it should never be a catchword to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are based on factors irrespective of the employees' age, sex, marital status, pregnancy, family status, disability, race, colour, descent, national or ethnic origins, nationality, religion or any other discriminatory elements in all business units of the Group. Meanwhile, the Group has formulated equal opportunity policy, which allows zero tolerance in relation to any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations. Employees are also vigorously encouraged to report any incidents involving discrimination to the Human Resources Department of the Group. Once relevant report is received, Human Resources Department would take responsibility for the assessment, recording and implementation of necessary disciplinary actions on the incidents.

Environmental, Social and Governance

Other benefits and welfare

The Group cares about the wellbeing of its employees and believes that employees are the creators, practitioners and trailblazers of the fulfilment of corporate values. According to national regulations, the Group provides employment injury insurance for its employees. Besides, annual physical examination, working meals, uniforms (for onsite workers in the business of foundation and substructure construction services), and medical insurance are offered to employees by the Group. During some traditional Chinese festivals, employees may even receive additional rewards and gifts. In the Year, the Group organised a series of internal activities such as dinner gatherings and grand banquet for annual meeting to its employees.

In the Year, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

Table 4 – Total Workforce of the Group as at 31 December 2018

By Gender (Percentage)	Investment Business		Foundation and Substructure Construction Services	
Male	36	(60%)	141	(82%)
Female	24	(40%)	31	(18%)
By Employment Type (Percentage)				
Full Time	60	(100%)	102	(59%)
Part Time	0	(0%)	70	(41%)
By Age Group (Percentage)				
Aged 30 or below	15	(25%)	16	(9%)
Aged 31-40	38	(63%)	20	(12%)
Aged 41-50	6	(10%)	43	(25%)
Aged 51 or above	1	(2%)	93	(54%)
By Geographical Region (Percentage)				
Hong Kong	43	(72%)	172	(100%)
The PRC	17	(28%)	0	(0%)

Environmental, Social and Governance

Table 5 – Employee Turnover Rate of the Group for the the Year

By Gender (Percentage)	Investment Business*	Foundation and Substructure Construction Services*
Male	34.6%	6.2%
Female	22.2%	43.8%
By Age Group (Percentage)		
Aged 30 or below	17.3%	5.0%
Aged 31-40	34.6%	3.1%
Aged 41-50	3.7%	10.0%
Aged 51 or above	1.2%	31.9%
By Geographical Region (Percentage)		
Hong Kong	49.4%	50.0%
The PRC	7.4%	0%

* *Turnover rate is the percentage of employees in a workforce that leave during a certain period of time. In this regard, turnover rate = loss of employees during the Year (i.e. the number of regular employees voluntarily resigned) ÷ average workforce during the Year*

B.2. Health and Safety

The Group believes that health and safety at work is the top priority issue that makes for stable and sustainable business development of the company, especially to the business of foundation and substructure construction services. To provide and maintain a safe, clean and environmentally-friendly working condition for all employees, the Group has established strict internal safety and health policies, which are in line with relevant laws and regulations in Hong Kong and the PRC, including the:

- *Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong);*
- *Law of the People's Republic of China on Prevention and Control of Occupational Diseases (中華人民國和國職業病防治法); and*
- *Regulation on Work-Related Injury Insurance (工傷保險條例).*

The Group rigorously sticks to the instructions of the Quality Management Systems Standard (ISO 9001:2008) and Occupational Health and Safety Management (OHSAS 18001:2007), and follows the Site Safety Handbook published by Hong Kong Housing Authority during its construction operations. Striving for zero accidents of all persons in its construction works, the Group has posted warning labels and public announcement regarding health and safety at different construction sites. To provide a secure working environment for employees, the Group has put great emphasis on the self-protection of employees and therefore provided suitable Personal Protective Equipment (such as helmets, safety ropes, gloves, etc.) to its workers on site. Adhering to the guiding principle of 'Safety first, Prevention first', Management and Safety supervisors review the accidents in the past and expound the causes and precautions to workers. Moreover, the Group normally conducts an internal audit about health and safety at the construction sites every week and provides relevant safety training courses to onsite workers and subcontractors on a regular basis, such as Emergency Management and Safe Operation.

Environmental, Social and Governance

On top of that, the Group has taken the following measures in its safety and health management:

- Emergency response drills on site and in the offices
- Safety inspections on site and in the offices
- Cleaning of air-conditioning systems (once a season)
- Disinfection of carpets regularly
- Prohibition of smoking and drinking liquor in the workplace
- Education through onsite bulletins and warning posters

In the Year, the lost days due to work injury of the Group was 533 days. The Group found no work-related fatalities during its operations and was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group.

Environmental, Social and Governance

B.3. Development and Training

Training to us

- Corporate trainings act as a catalyst for progressive and continuous learning.
- Employees' weakness and deficiency of knowledge can be pinpointed and addressed.
- Self and inter-personal trust, support and collaboration within the enterprise can be cultivated effectively.
- Higher productivity and revenue can be achieved rapidly once individual goals are integrated with the organisational targets through communications and trainings.
- With a high level of discipline and consistency with corporate vision, solidarity among employees and leadership can play important roles in innovation and creativity.

The Group believes that an evaluation of what the company and employees lack in terms of professional capability is essential and has therefore formulated a set of internal regulations such as Huarong Staff Training Guidelines (華融投資股份有限公司員工培訓工作指引) for regulating its training format, objectives and content, and other related matters. To new hires, the training package mainly covers the training of company background, professional demeanour, probity and discipline, and practical operation, while to those in-service staffs, various trainings on a broad range of topic are provided, such as business management and macroeconomy. For instance, the Group holds an on-the-job knowledge sharing conference training periodically, aiming to encourage the study of inter-disciplinary knowledge and theoretical knowledge. More importantly, the Group highly encourages the sharing of knowledge and experience between new and old employees, which includes new hires receiving the guidance from experienced staffs and employees who have been working for the Group for years continually setting explicit targets and adjusting their career planning.

Environmental, Social and Governance

To further enhance the professional skills of its employees and meet the needs of the Group's development goal, signing up for professional qualification examinations and external trainings is greatly encouraged. Employees who take the professional qualification examinations and obtain vocational qualification certificates could receive a reimbursement from the Group. Moreover, the policy regulates that the Group factors certain qualification certificates into important reference for salary adjustment. Meanwhile, the Group invites external organisations, experts and professors to give relevant trainings to its employees on a regular basis.

Apart from Staff Training Guidelines of Huarong Investment Stock Corporation Limited (華融投資股份有限公司員工培訓工作指引) which is used as the guidebook for the Group to manage training programs, to make the training requirement and goal more practicable, the Group pays attention to the detail and has formulated annual training plan sheet for employees, questionnaires for after-class feedback collection, and surveys on the quality of training. In the Year, the Group arranged multiple trainings, including tax training, financial structure, cayman investment funds, risk management, five-category asset classification, noise control, crane safety, chemical safety and Independent Commission Against Corruption in Hong Kong training. The total time each employee spent on training was recorded to be approximately 9 hours for Direct Investment Business and 4 hours for foundation and substructure construction services on average during the year under review.

Table 5 – Percentage of Employees and Hours Trained in Investment Business in the Year

Employee Ratio		Male	Female
Percentage of employees trained		100%	100%
Total training hours completed		387	360
Employee Ratio	**General Employee**	**Manager**	**Senior Manager**
Percentage of employees trained	100%	100%	100%
Total training hours completed	495	189	63
Average training hours per employee		9	

Table 6 – Percentage of Employees and Hours Trained in Foundation and Substructure Construction Services in the Year

Employee Ratio		Male	Female
Percentage of employees trained		99%	100%
Total training hours completed		554	124
Employee Ratio	**General Employee**	**Manager**	**Senior Manager**
Percentage of employees trained	99%	100%	100%
Total training hours completed	648	14	16
Average training hours per employee		4	

Environmental, Social and Governance

B.4. Labour Standards

The Group has abided by the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Labour Law of the People's Republic of China (中華人民共和國勞動法) and other related labour laws and regulations in Hong Kong and the PRC to prohibit any child and forced labour employment. To combat against illegal employment on child labour, underage workers and forced labour, the Group's recruiters and Human Resources Department require all job applicants to provide valid identity documents and verify the facticity to ensure that they are lawfully employable prior to confirmation of any employment. The Human Resources Department is also responsible to monitor and guarantee the compliance of corporate policies and practice with latest laws that prohibit child labour and forced labour. Once the Group found any case against labour standards, the employment contract would be immediately terminated. What is more, the Group has also strictly implemented the following measures:

a. Sign employment contract or internship agreement with all employees based on equity and free will;

b. Prohibit any department or personnel from meting out physical punishment to, assaulting, insulting or restricting the freedom of employees;

c. Forbid any department or personnel from forcing employees to work by violence, threat or illegal restrictions on their freedom.

In the Year, the Group was not in violation of any relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

Operating Practices

B.5. Supply Chain Management

As a socially responsible enterprise, it is crucial for the Group to maintain and manage a sustainable and reliable supply chain that brings positive impact to the environment and society. The Group insists on keeping the quality of its suppliers and their supply chain practice under surveillance.

In Investment Business, the Group commits to control the social and environmental risks that might be brought from its suppliers according to Quality Management Systems Standard (ISO 9001:2008) (品質管理系統) and therefore has formulated its internal supplier management policies by classifying its suppliers into different groups, toward which the Group implements differentiated management strategies. Also, internal procurement guidelines such as Computer Software and Hardware Products and Services Procurement Management Procedures (計算機軟、硬體產品及服務採購管理規程), and Company Large Procurement Committee Working Rules (公司大額採購委員會工作規則) have been in place for supply management. Cooperation surveys are conducted regularly to minimise the potential risks and address any problem that may come along. Given the solid and steady relationships it has with its suppliers, the Group did not experience any conflict or other significant issues with its suppliers in the past. The Group believes that maintaining a mutual understanding and sense of responsibility towards each other is vital to a sustainable and sound relationship with selected suppliers.

For foundation and substructure construction services, there is no doubt that a trustworthy and stable subcontractor/supplier is of paramount importance. Thus, the Group chooses its subcontractors/suppliers based on the evaluation on their financial background, product/service quality, price, customer service quality, reputation, past cooperation experience, and delivery time. By considering various factors, the subcontractor/supplier selected by the Group should not only meet the Group's internal standards, but also be a legally compliant enterprise. The Group has its internal list of approved qualified suppliers and reassesses them on an annual basis. To guarantee that each project can be completed successfully, the Group also has backup suppliers for the entire supply chain in case of any possible situations.

Environmental, Social and Governance

The Procurement Department of the Group is responsible for checking the quality of delivered product by the supplier and making sure that all the products must be in compliance with relevant construction laws and the Group's requirements. Besides, all related documents and credentials must be submitted to Quality Assurance Company for verification.

To create a fair and legitimate tendering process without any colluding risk, the Group maintains close liaison with its suppliers to ensure that all suppliers adhere to corporate ethics and most importantly, comply with local laws and regulations. Given the firm and stable relationship between the Group and its suppliers, the Group can be timely updated of the suppliers' situation through the internet, phone calls, and other communication means.

Table 7 – Number of Suppliers in the Year

Number of Suppliers by Geographic Region	Investment Business	Foundation and Substructure Construction Services
Hong Kong	–	278
The PRC	–	–

B.6. Product Responsibility

During the Year, the Group was not in violation of any non-compliance or breach of relevant laws and regulations in relation to advertising, labelling and privacy matters that have a significant impact on the Group.

The Group places great emphasis on the privacy protection of its customers and ensures that customers' rights are strictly protected in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and other applicable laws and regulations. Confidentiality agreements or contract-related terms have been signed with customers to ensure that customer's information will not be leaked. Meanwhile, the Group regulates that only authorized personnel can access the personal data collected from the Group's customers.

In terms of protecting the Group's intellectual property rights, the Group has adopted policies with examples shown below:

- *The documentation rooms with commercial secrets have been listed as confidential areas, and isolated from the general area of operation. Non-related personnel would not be able to enter the area;*

- *In the employment contract agreement, it has been agreed upon that when the personnel with significant influence over the company's technical and economic rights and interests leaves the Group, he or she shall not operate or uphold any business that competes with the Group for a certain period; and*

- *When entering into a commercial contract for external business activities, the Group would request a confidentiality agreement with other enterprises if necessary.*

Environmental, Social and Governance

B.7. Anti-corruption

To maintain a fair, ethical and efficient working environment, the Group has abided by the local laws and regulations relating to anti-corruption and bribery, irrespective of the region where the Group operates, including the Anti-corruption Law of the People's Republic of China (中華人民共和國反腐敗法), the Law of the People's Republic of China on Anti-money Laundering (中華人民共和國反洗錢法), the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 of the Laws of Hong Kong), and the Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).

The Group has stipulated the Huarong Anti-money Laundering and Anti-terrorist Fund-raising Internal Control Specification (華融投資股份有限公司反洗錢及反恐怖分子資金籌集內部控制規範) and Huarong Information Disclosure Management Measure (華融投資股份有限公司信息披露管理辦法) to eliminate any corruption and bribery practice. The Group prohibits all forms of bribery and corruption, and requires all employees to strictly stick to the codes of professional ethics. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. During the Year under review, no concluded legal cases regarding corrupt practices were brought against the Group or its employees.

Whistle-blowers can report verbally or in writing to the Audit Committee of the Group for any suspected misconduct with full details and supporting evidence. The Audit Committee will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group promotes an effective grievance mechanism to protect the whistle-blowers from unfair dismissal or victimisation. Where criminality is suspected, a report will be made promptly to the relevant regulators or law enforcement authorities when the management considers it necessary.

During the Year under review, the Group invited officers from ICAC to provide related anti-corruption trainings to the Group's employees and the Group was not in any violation of relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

Community

B.8. Community Investment

As a corporate citizen, the Group realises the importance of making a positive contribution to communities where the Group operates, and always takes the interests of communities as its top priority matters, especially supporting local sports and cultural development, and engaging with underprivileged youths in the remote area of the PRC. Specifically, the Group in the Year, for instance, made a donation of RMB$500,000 to Xuanhan County, which has been used to alleviate poverty in the realm of industry, education, people's livelihood and health. Plus, the Group sponsored and participated in the basketball league match in the community where it operates, in order to support the development of local culture industry.

Being awarded numerous accolades and certificates in social contribution over the past years, the Group considers such honours as not only a recognition from the public on its efforts and performance in community contribution, but a driving force that motivates the Group to play a more important role in leading the industry in sustainable development and to bear more responsibility in making solid strides in corporate and community sustainable development.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Huarong Investment Stock Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 173, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year or period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

Valuation of financial instruments classified as level 3 under fair value hierarchy

We identified the valuation of financial instruments classified as level 3 under the fair value hierarchy ("Level 3 financial instruments") as a key audit matter due to the significance of the judgement and estimates made by management and the subjectivity in the determination of Level 3 fair value given the lack of availability of market-based data. When determining the fair value, it required management to make significant estimates and judgement including consideration of significant unobservable inputs as disclosed in Note 47(c).

The fair value of financial assets at fair value through profit or loss ("FVTPL") and financial assets at fair value through other comprehensive income ("FVTOCI") classified as Level 3 are HK$2,062 million and HK$1 million respectively, as at 31 December 2018.

Our procedures in relation to valuation of Level 3 financial instruments included:

- Examining the relevant investment contracts for the key terms and the relevant contractual rights and obligations of the financial instruments;

- Understanding the valuation techniques and the processes performed by the management or third party qualified valuers and the management's review process of the work of the third party professional valuers;

- Discussing with management, together with our own internal valuation experts, where necessary, the valuation of the Level 3 financial instruments, and:

  (i) Obtaining the appraisal reports and assessing the competence and independence of the third party professional valuers; and their experience in conducting valuation of similar financial instruments;

  (ii) Evaluating the appropriateness of the valuation methodologies and assumptions based on the industry knowledge; and

  (iii) Evaluating the appropriateness of the key unobservable inputs by independently checking to the external data; or by evaluating the rationale of management's judgement on the key unobservable inputs by considering the publicly available information and other available information from related external parties; or by performing sensitivity analysis with reference to available market information, to evaluate the reasonableness of the valuation, where appropriate.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

Application of HKFRS 9 "Financial Instruments" ("HKFRS 9") on the Expected Credit Loss ("ECL") model on loan and debt instruments and finance lease receivables

We identified the impairment of loan and debt instruments and finance lease receivables arising from the application of the ECL model upon the adoption of HKFRS 9 as a key audit matter due to the significant judgement and estimation made by management to determine the ECL amount at the reporting date.

As detailed in Note 3 to the consolidated financial statements, the ECL measurement involves significant management judgement in (i) the selection of appropriate model and key inputs used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), and (ii) the selection and use of reasonable and supportable forward-looking information without undue cost or effort in the ECL model to estimate the future movement of different economic drivers and how these drivers will affect each other and the correlation with the key inputs, including the PD and LGD.

The management further assesses whether there has been a significant increase in credit risk ("SICR") for exposures since initial recognition. If there has been a SICR, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgments involved.

Our procedures in relation to the impairment of loan and debt instruments and finance lease receivables arising from the application of the ECL model upon the adoption of HKFRS 9 included:

- Understanding the Group's established credit risk policies and procedures for impairment assessment in relation to the application of ECL model under HKFRS 9, including model set up and approval and selection and application of assumptions and key inputs into the model;

- Assessing the reasonableness and appropriateness of the management's judgement on staging criteria for determining if SICR has occurred (stage 1 or 2) or the loan and debt instruments and finance lease receivables is credit-impaired (stage 3) and the basis for classification of exposures into the 3 stages as required by HKFRS 9 and examining supporting documents on a sample basis to assess the appropriateness of the classification of loan exposures as at the end of the reporting period;

- Evaluating, together with our internal valuation expert, the reasonableness and appropriateness of the ECL model and assumptions, information and parameters used in the model in establishing the forward looking factors, and the relationship between the forward looking factors and the key inputs, including PD and LGD, in the ECL model to determine the ECL amount of loan and debt instruments and finance lease receivables in stages 1 or 2; and

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

Application of HKFRS 9 "Financial Instruments" ("HKFRS 9") on the Expected Credit Loss ("ECL") model on loan and debt instruments and finance lease receivables - continued

In assessing the lifetime ECL on credit-impaired loan and debt instruments and finance lease receivables classified as stage 3, the Group performed the assessment based on (i) the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers which include any significant financial difficulty of the debtors or borrowers, breach of contract or probability that the debtors or borrowers will enter into bankruptcy and the status and progress of financial restructuring, (ii) general economic conditions and (iii) both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved.

The Group also reviewed the fair value of the collaterals received from the debtors or borrowers in determining the ECL. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The total gross amount of loan and debt instruments and finance lease receivables, as at 1 January 2018 are HK$4,636 million and HK$1,952 million less impairment loss of HK$121 million and HK$101 million respectively and those as at 31 December 2018 are HK$2,884 million and HK$1,590 million less impairment loss of HK$47 million and HK$138 million respectively.

Please see Notes 22 and 21 to the consolidated financial statements respectively.

- Testing the accuracy and completeness of key data sources applied in the ECL computation on a sample basis by checking to the Group's supporting documents, such as the relevant loan files and external data sources, as applicable.

For the finance assets classified as stage 3, our procedures included:

- Corroborating and challenging management's assessment and expectation of reasonably possible outcomes on the recoverability of the receivables from the counter parties and the estimated fair value of the collaterals against our understanding of the circumstances and our industry knowledge from reading public announcements and other externally available information on a sample basis;

- Assessing the reasonableness and appropriateness of the management's key estimations and assumptions used in the individual impairment assessment for the estimated future cash flows from borrowers on a sample basis.

- Examining the fair value of collaterals, where necessary, including:

  (i) Obtaining the appraisal reports and assessing the competence and independence of the third party professional valuers and their experience in conducting valuation of similar financial instruments or assets.

  (ii) Assessing whether the selection of the valuation methodology is appropriate for the collaterals;

  (iii) Assessing the reasonableness of the assumptions and judgements used by management in determining the current status and future development of the collaterals against publicly available information and other information from related external parties, if any; and

  Evaluating the appropriateness of key inputs used in the valuation of the collateral by independently checking to the external data.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

Application of HKFRS 15 "Revenue from Contracts with Customers" on recognition of revenue from construction contracts

We identified the contract revenue of construction as a key audit matter due to significant judgments involved in the management's assessment process. The contract revenue of construction contracts amounting to approximately HK$585 million was disclosed in Note 7 to the consolidated financial statements. The Group recognised revenue from construction contracts according to the management's estimation of the progress and outcome of the projects. As disclosed in Note 5 to the consolidated financial statements, the management estimated revenue in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on contract terms.	Our procedures in relation to the revenue from construction contracts included: • Obtaining an understanding from the management of the procedures and controls in place for recognition of revenue from construction contracts; • Discussing with the project managers to understand the status of completion of the relevant construction projects during the year on a sampling basis; and • Evaluating the reasonableness of contract revenue recognised by: (1) Checking to the latest certificate issued by the surveyors, customer's correspondences documents before year end date for the verification of the value of work already performed during the year; (2) Checking to the Group's internal construction progress report as well as other supporting documents including the certificates issued by the surveyors, customer's correspondences or other documents issued subsequent to year end date to evaluate subsequent progress, on a sample basis.

The structure of certain loan arrangements and related recoverability

We identified the above matter which is described in Note 2 to the consolidated financial statements as a key audit matter due to its potential impact on the consolidated financial statements.	In relation to this matter, we obtained audit evidence to support our conclusions including by reviewing procedures and results of the internal investigation, assessing the Company's protective measures and evaluating the Company's assessment of the impact of this matter on the consolidated financial statements.

Independent Auditor's Report

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue			
Income from construction services		**585,456**	303,564
Dividend income		**103,765**	71,147
Service income		**171,950**	318,283
Interest income		**634,931**	216,689
	7	**1,496,102**	909,683
Net unrealised (losses) gains on financial investments	8	**(172,158)**	162,330
Net realised gains on financial investments	8	**4,890**	104,795
Other (losses) or gains	9	**(52,105)**	5,388
Net reversal (recognition) of impairment losses	10	**42,044**	(86,003)
Other income	11	**46,035**	18,795
Labour costs for construction business		**(50,716)**	(45,278)
Other staff costs		**(93,649)**	(60,592)
Material and subcontractor costs		**(449,168)**	(182,548)
Other construction costs		**(68,646)**	(51,513)
Other operating expenses		**(237,473)**	(151,007)
Finance costs	12	**(410,000)**	(229,845)
Profit before tax	13	**55,156**	394,205
Income tax credit (expense)	16	**17,337**	(124,609)
Profit for the year		**72,493**	269,596
Profit for the year attributable to:			
Ordinary shareholders of the Company		**9,250**	269,596
Holder of the perpetual capital instrument		**63,243**	–
		72,493	269,596
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale investments		**–**	63,614
Reclassification adjustments to profit or loss on disposal of available-for-sale investments		**–**	(61,265)
Exchange differences arising on translating of foreign operations		**(24,334)**	30,654
Other comprehensive (expense) income for the year, net of tax		**(24,334)**	33,003
Total comprehensive income for the year		**48,159**	302,599
Profit and total comprehensive income for the year attributable to:			
Ordinary shareholder of the Company		**(15,084)**	302,599
Holder of the perpetual capital instrument		**63,243**	–
		48,159	302,599
Earnings per share			
– Basic (HK cents)	18	**0.5**	15.6

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	19	78,239	77,572
Intangible asset		1,840	1,840
Financial investments	20	1,746,740	2,172,787
Finance lease receivables	21	988,144	1,447,928
Loan and debt instruments	22	1,268,288	1,225,702
Rental deposits	25	27,356	28,277
Total non-current assets		4,110,607	4,954,106
CURRENT ASSETS			
Amounts due from customers for contract work	23	–	62,369
Contract assets	24	130,924	–
Trade and other receivables	25	279,909	192,797
Financial investments	20	2,975,962	5,496,114
Finance lease receivables	21	463,767	473,671
Loan and debt instruments	22	1,568,867	971,257
Amounts due from fellow subsidiaries	32, 45(c)	3,268	100,965
Amount due from the immediate holding company	32, 45(c)	–	2,800
Amounts due from related parties	45(c)	–	26
Tax recoverable		6,228	–
Deposits in other financial institutions	26	139,749	146,341
Pledged bank deposits	27	–	953,658
Bank balances and cash	27	738,955	552,884
Total current assets		6,307,629	8,952,882
CURRENT LIABILITIES			
Amounts due to customers for contract work	23	–	3,839
Trade and other payables	28	331,651	255,385
Obligations under finance leases	29	3,782	7,692
Interest-bearing borrowings	30	2,221,381	8,102,639
Financial assets sold under repurchase agreements	31	511,853	–
Amounts due to fellow subsidiaries	32, 45(c)	44,840	9,085
Amount due to an intermediate holding company	32, 45(c)	19	8,696
Amount due to the immediate holding company	32, 45(c)	153,050	–
Amounts due to related parties	45(c)	14,326	12,202
Contract liability	33	40,000	–
Tax payables		47,538	91,033
Financial investments	20	417	17,384
Total current liabilities		3,368,857	8,507,955

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
NET CURRENT ASSETS		**2,938,772**	444,927
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,049,379**	5,399,033
NON-CURRENT LIABILITIES			
Obligations under finance leases	*29*	**3,946**	5,637
Interest-bearing borrowings	*30*	**4,784,454**	2,943,941
Deposits from finance lease customers	*28*	**35,468**	65,455
Deferred tax liabilities	*34*	**9,732**	21,028
Total non-current liabilities		**4,833,600**	3,036,061
NET ASSETS		**2,215,779**	2,362,972
CAPITAL AND RESERVES			
Share capital	*35*	**18,160**	18,160
Perpetual capital instruments	*37*	**1,329,576**	1,266,333
Reserves		**868,043**	1,078,479
TOTAL EQUITY		**2,215,779**	2,362,972

The consolidated financial statements on pages 71 to 173 were approved by the Board of Directors on 27 March 2019 and are signed on its behalf by:

Mr. Yu Meng
DIRECTOR

Mr. Liu Xiguang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to ordinary shareholders of the Company										
	Share capital HK$'000 *(Note 35)*	Share premium HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Merger reserve HK$'000 *(Note c)*	Statutory reserve HK$'000 *(Note d)*	Available-for-sale investments ("AFS") revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Perpetual capital instruments HK$'000	Total HK$'000
At 1 January 2017	12,360	331,860	7,164	(87,838)	3,819	(536)	(2,761)	297,972	562,040	–	562,040
Profit for the year	–	–	–	–	–	–	–	269,596	269,596	–	269,596
Other comprehensive income (expense) for the year											
Change in fair value of available-for-sale investments	–	–	–	–	–	63,614	–	–	63,614	–	63,614
Reclassification adjustments to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	(61,265)	–	–	(61,265)	–	(61,265)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	30,654	–	30,654	–	30,654
Other comprehensive income for the year	–	–	–	–	–	2,349	30,654	–	33,003	–	33,003
Total comprehensive income for the year	–	–	–	–	–	2,349	30,654	269,596	302,599	–	302,599
Issue of shares	5,800	226,200	–	–	–	–	–	–	232,000	–	232,000
Issue of perpetual capital instrument *(Note 37)*	–	–	–	–	–	–	–	–	–	1,266,333	1,266,333
Appropriation to statutory reserve	–	–	–	–	20,612	–	–	(20,612)	–	–	–
At 31 December 2017	18,160	558,060	7,164	(87,838)	24,431	1,813	27,893	546,956	1,096,639	1,266,333	2,362,972
At 31 December 2017	18,160	558,060	7,164	(87,838)	24,431	1,813	27,893	546,956	1,096,639	1,266,333	2,362,972
Effect arising from initial application of HKFRS 15	–	–	–	–	–	–	–	(23,194)	(23,194)	–	(23,194)
Effect arising from initial application of HKFRS 9	–	–	–	–	–	(1,813)	(2,690)	(167,655)	(172,158)	–	(172,158)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to ordinary shareholders of the Company										
	Share capital HK$'000 (Note 35)	Share premium HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Merger reserve HK$'000 (Note c)	Statutory reserve HK$'000 (Note d)	Available-for-sale investments ("AFS") revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Perpetual capital instruments HK$'000	Total HK$'000
At 1 January 2018	18,160	558,060	7,164	(87,838)	24,431	–	25,203	356,107	901,287	1,266,333	2,167,620
Profit for the year	–	–	–	–	–	–	–	9,250	9,250	63,243	72,493
Other comprehensive expense for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(24,334)	–	(24,334)	–	(24,334)
Other comprehensive expense for the year	–	–	–	–	–	–	(24,334)	–	(24,334)	–	(24,334)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(24,334)	9,250	(15,084)	63,243	48,159
Appropriation to statutory reserve	–	–	–	–	11,244	–	–	(11,244)	–	–	–
At 31 December 2018	18,160	558,060	7,164	(87,838)	35,675	–	869	354,113	886,203	1,329,576	2,215,779

Notes:

a. Under the Companies Law (as revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders, provided that immediately following the date on which the dividend is proposed to be paid, the Company shall be able to pay its debts as when they fall due in the ordinary course of business.

b. The capital reserve represents the deemed capital contribution from its former shareholder, Golden Roc Holdings Limited ("Golden Roc"), in relation to listing expenses reimbursed to the Company in prior year.

c. The merger reserve represents the difference between the total equity of those subsidiaries (which were transferred from Golden Roc to the Company) and the aggregate share capital of the relevant subsidiaries pursuant to the group reorganisation where the transfer of the relevant subsidiaries to the Company are satisfied by issue of new shares from the Company to Golden Roc in prior year.

d. Subsidiaries in the People's Republic of China ("PRC") have appropriated 10% of the profit to statutory reserve until the balance of reserve reaches 50% of their respective registered capital. The statutory reserve is required to be retained in the accounts of the subsidiaries to offset against accumulated losses of the respective PRC subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	43	**3,075,334**	(4,994,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(39,702)**	(34,621)
Proceeds from disposal of plant and equipment		**9,563**	26,590
Purchase of financial investments		**279,920**	(4,907,701)
Proceeds from disposal of financial investments		**(398,835)**	435,415
Repayment from related parties		**26**	235
Repayment from (to) fellow subsidiaries		**97,697**	(5,766)
Repayment from (advance to) the immediate holding company		**2,800**	(1,867)
Release (placement) of pledged bank deposits		**953,658**	(953,658)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**905,127**	(5,441,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings raised		**7,078,168**	10,137,321
Repayments of interest-bearing borrowings		**(11,101,553)**	(1,834,599)
Proceeds from financial assets sold under repurchase agreements		**1,175,139**	–
Repayment of financial assets sold under repurchase agreements		**(663,286)**	–
Capital element of finance lease rentals paid		**(8,575)**	(8,514)
Interest element of finance lease rentals paid		**(336)**	(422)
Interest paid		**(414,686)**	(220,228)
Advance from related parties		**2,124**	4,220
Advance from a fellow subsidiary		**35,755**	9,085
Advance (to) from an intermediate holding company		**(8,677)**	69
Advance from the immediate holding company		**153,050**	–
Proceeds from issue of new shares		**–**	232,000
Proceed from issue of perpetual capital instruments		**–**	1,171,134
NET CASH (USED IN) FROM FINANCING ACTIVITIES	42	**(3,752,877)**	9,490,066
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**227,584**	(945,489)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**552,884**	1,452,372
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET		**(41,513)**	46,001
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27	**738,955**	552,884

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. Corporate Information

Huarong Investment Stock Corporation Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 December 2014. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of operations of the Company is situated at Room 3201, 32/F, Two Pacific Place, 88 Queensway, Hong Kong.

The Company acts as an investment holding company and the principal activities of the Company and its subsidiaries (the "Group") are (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

The consolidated financial statements of the Group are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("HKCO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as further explained in the accounting policies set out in note 4.

Significant events in the current year

As was disclosed in the interim financial report of the Company for the six months ended 30 June 2018, in light of the disciplinary investigation instigated by certain authorities in Mainland China against the former Chairman of China Huarong Asset Management Co., Ltd. ("China Huarong"), a company established in the PRC and the indirect controlling shareholder of the Company whose shares are listed on the Stock Exchange, the Company was taking proactive measures to protect the interests of the Group and, also, initiated an internal investigation, including into the loan arrangements and related recoverability. The internal investigation has been completed and the implications taken into account in preparing the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

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

3.1 HKFRS 15 Revenue from Contracts with Customers

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 has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources which arising from contract from customers:

- Foundation and substructure construction services
- Income from provision of business consulting services, financing services and others

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 7 and 4 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15

The following table summarises the impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

	Note	Impact of adopting HKFRS 15 at 1 January 2018 HK$'000
Retained earnings		
Adjustments of amounts due from (to) customers for contract work	*(a)*	(27,777)
Tax effect	*(a)*	4,583
Impact at 1 January 2018		(23,194)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 HK$'000	Adjustment HK$'000	Carrying amounts under HKFRS 15 at 1 January 2018* HK$'000
Current assets				
Amounts due from customers for contract work	*(a) & (c)*	62,369	(62,369)	–
Trade and other receivables	*(b)*	192,797	(45,540)	147,257
Contract assets	*(b) & (c)*	–	76,293	76,293
Tax recoverable	*(a)*	–	3,518	3,518
Current liabilities				
Amounts due to customers for contract work	*(a)*	3,839	(3,839)	–
Non-current liabilities				
Deferred tax liabilities	*(a)*	21,028	(1,065)	19,963
Capital and reserves				
Retained earnings	*(a)*	546,956	(23,194)	523,762

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Notes:

(a) In relation to construction contracts previously accounted for under HKAS 11, the Group applies output method in estimating the progress toward complete satisfaction of performance obligations under HKFRS 15. Under HKAS 11, construction costs were charged to profit or loss by reference to the stage of completion of the contract, which is measured by reference to the estimated total revenue for contracts entered into by the Group that have been performed to date. Under HKFRS 15, costs that relate to satisfying performance obligations are expensed as incurred if the costs could not be recognised as an asset under certain criteria. Construction costs of HK$27,777,000 that have been incurred but deferred to be recognised in profit or loss under HKAS 11 included in amounts due from/to customers for contract work were charged to retained earnings on transition to HKFRS 15. The related tax effect of HK$3,518,000 and HK$1,065,000 were recognised in tax recoverable and deferred tax liabilities respectively and included in adjustment to retained earnings.

(b) At the date of initial application, retention receivables of HK$45,540,000, arising from the construction contracts are conditional on the satisfaction of the service quality by the customers over the period as stipulated in the contracts, and such balance was reclassified from trade and other receivables to contract assets.

(c) At the date of initial application, unbilled revenue of HK$30,753,000 arising from the construction contracts are conditional on the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers, and such balance was reclassified from amounts due from customers for contract work to contract assets.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018, its consolidated statement of profit or loss and other comprehensive income and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the consolidated statement of financial position as at 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Current assets			
Amounts due from customers for contract work	–	115,016	115,016
Trade and other receivables	279,909	38,824	318,733
Contract assets	130,924	(130,924)	–
Tax recoverable	6,228	(2,715)	3,513
Current liabilities			
Trade and other payables	331,651	40,000	371,651
Contract liability	40,000	(40,000)	–
Non-current liabilities			
Deferred tax liabilities	9,732	1,065	10,797
Capital and reserves			
Retained earnings	354,113	19,136	373,249

Impact on the consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Profit before taxation	55,156	(4,860)	50,296
Income tax credit	17,337	802	18,139
Profit after taxation	72,493	(4,058)	68,435
Other comprehensive expenses	(24,334)	–	(24,334)
Total comprehensive income for the year	48,159	(4,058)	44,101

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the consolidated statement of cash flows for the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
OPERATING ACTIVITIES			
Profit for the year	55,156	(4,860)	50,296
Operating cash flows before movements in working capital	(116,029)	(4,860)	(120,889)
Increase in amount due from customers for contract work	–	(52,647)	(52,647)
Increase in trade and other receivables	(81,525)	4,642	(76,883)
Increase in contract assets	(56,705)	56,705	–
Decrease in amount due to customers for contract work	–	(3,839)	(3,839)
Increase in trade and other payables	79,375	40,000	119,375
Increase in contract liability	40,000	(40,000)	–

3.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 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) 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 as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as 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" ("HKAS 39").

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of HKFRS 9 and HKFRS 15

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

As a result of the changes in the entity's accounting policies above, the table below illustrates the overall application on HKFRS 9 and HKFRS 15 at the date of initial application, 1 January 2018.

			Effect arising from initial application of HKFRS 9				
			Reclassification adjustments on HKFRS 9:				
	Closing balance at 31 December 2017 HK$'000	Effect arising from initial application of HKFRS 15 HK$'000	from held for trading investments HK$'000 *Note (b)*	AFS HK$'000 *Note (a)*	from financial assets designated at FVTPL HK$'000 *Note (b)*	Remeasurement of impairment under ECL model HK$'000 *Note (c)*	**Opening balance at 1 January 2018 HK$'000**
Financial investments							
– AFS	4,314,235	–	–	(4,314,235)	–	–	**–**
– Financial assets designated at FVTPL	1,391,650	–	–	–	(1,391,650)	–	**–**
– Held for trading investments (assets)	1,963,016	–	(1,963,016)	–	–	–	**–**
– Held for trading investments (liabilities)	(17,384)	–	17,384	–	–	–	**–**
– Financial assets at FVTPL	–	–	1,963,016	1,909,088	1,391,650	–	**5,263,754**
– Financial liabilities at FVTPL	–	–	(17,384)	–	–	–	**(17,384)**
– Financial asset at FVTOCI	–	–	–	650	–	–	**650**
	7,651,517	–	–	(2,404,497)	–	–	**5,247,020**
Finance lease receivables	1,921,599	–	–	–	–	(70,662)	**1,850,937**
Loan and debt instruments	2,196,959	–	–	2,404,497	–	(86,888)	**4,514,568**
Trade and other receivables	192,797	(45,540)	–	–	–	(246)	**147,011**
Contract assets	–	76,293	–	–	–	(14,362)	**61,931**
Amount due from customers for contract work	62,369	(62,369)	–	–	–	–	**–**
Amount due to customers for contract work	(3,839)	3,839	–	–	–	–	**–**
Tax recoverable	–	3,518	–	–	–	–	**3,518**
Deferred tax liabilities	(21,028)	1,065	–	–	–	–	**(19,963)**
AFS revaluation reserve	(1,813)	–	–	1,813	–	–	**–**
Retained earnings	(546,956)	23,194	–	(1,813)	–	169,468	**(356,107)**
Exchange reserve	(27,893)	–	–	–	–	2,690	**(25,203)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of HKFRS 9 and HKFRS 15 (continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15 (continued)

Notes:

(a) AFS

From AFS equity investment to financial asset at FVTOCI

The Group elected to present in OCI for the fair value changes of its unquoted equity investment previously classified as AFS of HK$650,000. At the date of initial application of HKFRS 9, the unquoted equity investment was reclassified from AFS to financial asset at FVTOCI.

From AFS to financial assets at FVTPL

At the date of initial application of HKFRS 9, the Group's fund investments, listed bond and asset management plan of HK$1,909,088,000 were reclassified from AFS to financial assets at FVTPL since the Group's business model is to hold for trading that require measurement at FVTPL and the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. The fair value gains of HK$1,813,000 relating to those investments previously carried at fair value were transferred from AFS revaluation reserve to retained earnings.

From AFS debt investments to loan and debt instruments measured at amortised cost

At the date of initial application of HKFRS 9, unlisted debt instruments of HK$2,404,497,000 were reclassified from AFS to loan and debt instruments measured at amortised cost since the Group's business model is to hold these investments for collection of contractual cash flows, and the cash flows represent solely payments of principal and interest on the principal amount outstanding. The adjustment to the carrying amounts at the date of transition is not material.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible bonds and fund investments which are managed and their performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of HK$1,391,650,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The Group has reassessed its investments including assets of HK$1,963,016,000 and liabilities of HK$17,384,000 classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, included in the held for trading investments classified under HKAS 39, those listed equity securities and listed debt instruments amounted to HK$1,832,826,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

The remaining held for trading investments classified under HKAS 39 including unlisted warrant, unlisted put option and unlisted foreign exchange forward contracts including assets of HK$130,190,000 and liabilities of HK$17,384,000 are derivatives not designated as effective hedging instruments and continued to be measured at FVTPL under HKFRS 9.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of HKFRS 9 and HKFRS 15 (continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15 (continued)

Notes: (continued)

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKFRS 9, the remaining balances of contract assets and trade receivables are grouped based on debtors' aging. The contract assets relate to unbilled work in progress and retention receivables which have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

For other financial assets at amortised cost and other items, including bank balances and cash, deposits in other financial institutions, other receivables, rental deposits, amounts due from fellow subsidiaries, loan and debt instruments and finance lease receivables, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition, and it moves to stage 3 when it is credit impaired (but it is not purchased original credit impaired). In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

At 1 January 2018, the additional credit loss allowance of HK$169,468,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 31 December 2017 to the new impairment allowance measured with HKFRS 9 (under ECL model) at 1 January 2018:

	Impairment allowance under HKAS 39 at 31 December 2017 HK$'000	Reclassification HK$'000	Exchange adjustment HK$'000	Impairment allowance under re-measurement HK$'000	Impairment allowance under HKFRS 9 at 1 January 2018 HK$'000
Finance lease receivables	30,300	–	2,383	68,279	100,962
Loan and debt instruments	34,115	–	307	86,581	121,003
Trade and other receivables	15,000	(15,000)	–	246	246
Contract assets	–	15,000	–	14,362	29,362
Total	79,415	–	2,690	169,468	251,573

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Application of New and Amendments to HKFRSs (continued)

HKFRS 16 Leases (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, and upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

At 31 December 2018, the Group has non-cancellable operating lease commitments of HK$356,972,000 as disclosed in Note 38. These arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$28,216,000 (Note 25) as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3)

HKFRS 15 introduces a 5-step approach when recognising revenue:

Step 1: Identify the contracts with a customer;
Step 2: Identify the performance obligation in this contract;
Step 3: Determine the transaction price;
Step 4: Allocate the transaction price to the performance obligations in the contracts; and
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

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

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

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For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 3) (continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The revenue from construction service is recognised over time by using output method. The revenue from provision of business consulting services is recognised at the point of time. The revenue from provision of financing service is recognised over time when the relevant service is transferred to the customers. Interest income is recognised in accordance with HKFRS 9.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group's accounting policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Dividend income from investments is recognised when the rights to receive payment have been established.

Revenue from business consulting and financing service is recognised in the accounting period in which the services are rendered.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Construction contracts (prior to 1 January 2018)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity, with reference to the progress certificate at the end of the reporting period as measured by the proportion that the value of work performed to date to the estimated total contract value. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipts is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs, which mainly comprise sub-contracting charges and costs of materials based on the quotations from time to time provided by the major contractors/suppliers/vendors and the experience of the management, are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Construction contracts in progress at the end of the reporting period are recorded in the consolidated statement of financial position at the net amount of costs incurred to date plus recognised profits less recognised losses and progress billings, and are presented in the consolidated statement of financial position as "Amounts due from customers for contract work" or "Amounts due to customers for contract work", as appropriate. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, under "Trade and other payables". Amounts billed, but not yet paid by the customers, for work performed on contracts are included in the consolidated statement of financial position under "Trade and other receivables".

Leases

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

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualified assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as lessee (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Borrowing costs

The borrowing costs that are not attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs and termination benefits

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service which entitles them to the contributions.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, to the central pension scheme.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Plant and equipment

Plant and equipment including machinery, leasehold improvements, office equipment, motor vehicles and furniture and fixtures are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest and dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Interest expenses is recognised on an effective interest basis.

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 3) (continued)

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Net unrealised (losses) gains on financial investments" and "Net realised gains on financial investments" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets at amortised cost and other items which are subject to impairment under HKFRS 9 (including trade and other receivables, loan and debt instruments, finance lease receivables, contract assets, amounts due from fellow subsidiaries, bank balances and cash and deposits in other financial institutions). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

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

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

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

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 3) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature and industry of debtors;
- Geographic location of the borrower; and
- Collateral type.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments and other items including finance lease receivables and contract assets by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale investments ("AFS") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the dividend, interest and service income in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 47.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain financial instruments as AFS financial assets on initial recognition.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of AFS revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposit and other receivables, loan and debt instruments, amounts due from related parties, amounts due from fellow subsidiaries, amount due from the immediate holding company, deposits in other financial institutions, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost that are individually significant and have objective evidence of impairment, the individual impairment allowance are measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For finance lease receivables and certain categories of financial assets, such as loan and debt instruments and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, historical loss data, industry experience and any observable changes in market conditions that correlate with default on these financial assets.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables, loan and debt instruments and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When finance lease receivables, loan and debt instruments and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of AFS revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in unquoted equity instrument previously classified as AFS which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the AFS revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group, which include no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Notes to the Consolidated Financial Statements

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

(ii) Financial liabilities at amortised cost

Financial liabilities including trade and other payables, deposit from finance lease customers, amounts due to fellow subsidiaries, amount due to an intermediate holding company, amounts due to related parties, interest-bearing borrowings and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

(iii) Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statements of financial position. The proceeds (including interests) from selling such assets are presented under "Financial assets sold under repurchase agreements" in the consolidated statement of financial position. Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives (under HKFRS 9 since 1 January 2018)

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Embedded derivatives (before application of HKFRS 9 on 1 January 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Significant Accounting Judgments and Estimates

In the application of the Group's accounting policies, which are described in Note 4, the Directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. Significant Accounting Judgments and Estimates (continued)

Estimated fair value of financial instruments

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market and making assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques commonly used by market practitioners are applied. The inputs are taken from observable markets where possible, but where this is not feasible, unobservable data is used based on the judgement of the directors of the Company. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of these financial assets and liabilities are set out in Note 47(c).

Construction contracts

The Group recognised contract revenue according to the management's estimation of the progress and outcome of the project. Estimated construction income is determined in accordance with the terms set out in the relevant contracts or, in case of variation orders, based on the contract terms.

The management estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The Group regularly reviews and revises the estimation of contract revenue prepared for each construction contract progress based on internal construction progress reports and certificate issued by the surveyors.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are based on debtors' aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 47(b), 25 and 24 respectively.

Notes to the Consolidated Financial Statements

5. Significant Accounting Judgments and Estimates (continued)

Provision of ECL for other financial assets at amortised cost and finance lease receivables

The Directors of the Company estimate the amount of loss allowance for ECL on other financial assets at amortised cost and finance lease receivables based on the credit risk of the respective asset. The assessment of the credit risk involves a high degree of estimation and uncertainty. The information about the ECL and other financial assets at amortised cost and finance lease receivables are disclosed in respective notes to the financial statements.

Upon adoption of HKFRS 9, the risk management department is responsible for developing and maintaining the processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL; and ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

Incorporation of forward-looking information

The Group adopts external and internal information to generate different scenario of future forecast of relevant economic variables. The internal and external information used includes the historical data of the Group and economic data and forecasts published by governmental bodies and monetary authorities respectively. Accordingly, when measuring ECL the Group selects and uses reasonable and supportable forward-looking information without undue cost or effort in its assessment by judgements, which is based on assumptions and estimates for the future movement of different economic drivers and how these drivers will affect each other as well as the correlation between the economic drivers and ECL.

Measurement of ECL

Probability of default (“PD”) constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions with management’s judgments involved. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated mainly considering the contractual maturities of exposures and estimated repayment rates.

Loss Given Default (“LGD”) is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements with significant judgments involved. The LGD models for secured assets consider forecasts of future collateral valuation taking into account transaction volume of the secured assets and seniority of claim. The LGD models for unsecured assets consider duration of recovery, recovery rates and seniority of claims.

Exposure at default (“EAD”) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

5. Significant Accounting Judgments and Estimates (continued)

Provision of ECL for other financial assets at amortised cost and finance lease receivables (Continued)

Significant increase in credit risk in measurement of ECL

As explained in Note 4, the Group monitors finance lease receivables and all financial assets at amortised cost other than trade receivables that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information with significant judgments involved. Information that will be taken into account when assessing whatever there is significant increase in credit risks are set out in "Impairment of financial assets" in Note 4.

Credit-impaired financial assets at amortised cost, finance lease receivables and contract assets classified as stage 3

In assessing the lifetime ECL on credit-impaired financial assets at amortised cost, finance lease receivables and contract assets classified as stage 3, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any (i) significant financial difficulty of the debtors or borrowers, (ii) breach of contract or probability that the debtors or borrowers will enter into bankruptcy and (iii) the status and progress of financial restructuring, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, in determining the impairment amount, the Group also reviews and assesses the fair value of the collateral received from the customers with the involvement of third party qualified valuers, if necessary.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly by the Group to reduce material differences between loss estimates and actual loss experience.

Relevant information with regard to the exposure of credit risk and ECL are set out in respective notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Operating Segment Information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers are the group of persons that allocate resources to and assesses the performance of the operating segments of an entity.

For the management reporting purpose, the Group is currently organised into three business lines. These business lines are the basis on which the Group reports information to its chief operating decision makers, who are the Executive Directors and the senior management of the Company, for the purposes of resource allocation and assessment of segment performance. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

(1) Direct investments – direct investment in equities, bonds, funds, derivative instruments, loans and other financial products.

(2) Financial services and others – business consulting services, financing services and other related services.

(3) Foundation and substructure construction services – excavation and lateral support works, pile cap construction and substructure construction for residential, commercial and infrastructure projects and rental of relevant equipment.

Segment revenues and results

The following tables present the revenue and results for the year ended 31 December 2018 and 2017 and certain assets, liabilities and expenditure information for the Group's operating segments as at 31 December 2018 and 2017 and for the year then ended.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

Segment revenue represent income from construction services, dividend, interest and service income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Operating Segment Information (continued)

Segment revenues and results (continued)

For the year ended 31 December 2018

	Direct investments HK$'000	Financial services and others HK$'000	Foundation and substructure construction services HK$'000	Total HK$'000
Segment revenue	**607,835**	**302,811**	**585,456**	**1,496,102**
Segment result	**80,622**	**69,971**	**(23,396)**	**127,197**
Unallocated income and expenses				
Other losses				**(54,411)**
Other income				**33,344**
Other operating expenses				**(8,974)**
Finance costs				**(42,000)**
Profit before tax				**55,156**

For the year ended 31 December 2017

	Direct investments HK$'000	Financial services and others HK$'000	Foundation and substructure construction services HK$'000	Total HK$'000
Segment revenue	229,216	376,903	303,564	909,683
Segment result	212,715	274,345	(49,544)	437,516
Unallocated income and expenses				
Other losses				(3,206)
Other income				9,674
Other operating expenses				(3,911)
Finance costs				(45,868)
Profit before tax				394,205

The accounting policies of the reportable and operating segments are same as the Group's accounting policies described in Note 4. Segment result represents the profit earned by each segment without allocation of certain other losses or gains, other income, other operating expenses, certain finance costs and income tax expense. The Group allocated certain finance costs to segments without allocating the related interest-bearing borrowings to that segment. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Operating Segment Information (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2018 HK$'000	2017 HK$'000
Segment assets		
Direct investments	**6,511,348**	10,062,994
Financial services and others	**1,700,611**	1,982,512
Foundation and substructure construction services	**259,708**	230,752
Total segment assets	**8,471,667**	12,276,258
Unallocated corporate assets	**1,946,569**	1,630,730
Total consolidated assets	**10,418,236**	13,906,988
Segment liabilities		
Direct investments	**1,022,460**	2,142,522
Financial services and others	**289,792**	417,083
Foundation and substructure construction services	**558,543**	496,878
Total segment liabilities	**1,870,795**	3,056,483
Unallocated corporate liabilities	**6,331,662**	8,487,533
Total consolidated liabilities	**8,202,457**	11,544,016

Included in unallocated corporate assets and liabilities, certain bank balances and cash, certain deposit in other financial institutions, certain plant and equipment, certain financial investments, certain amounts due from related parties, amounts due from (to) fellow subsidiaries, certain prepayment and other receivables, certain rental deposits, amount due from (to) the immediate holding company, certain amount due to an intermediate holding company, certain tax payables, certain interest-bearing borrowings, certain deferred tax liabilities and certain other payables were managed in a centralised manner for the purpose of monitoring segment performance and allocating resources between segments.

The Group's certain financial investments are deployed for the Group's direct investments segment. The related income and expense including certain interest income, net unrealised (losses) gains on financial investments and net realised gains on financial investments are included in the profit and loss allocated to direct investments segment. However, for the purpose of treasury management, certain financial investments were not allocated to direct investments segment. Should these items be included the asset of direct investments segment, the aggregate direct investments segment asset as at 31 December 2018 would be approximately HK$7,822,977,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Operating Segment Information (continued)

Other segment information

For the year ended 31 December 2018

	Direct investments HK$'000	Financial services and others HK$'000	Foundation and substructure construction services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profits or segment assets:					
Net reversal (recognition) of impairment losses	**73,537**	**(43,287)**	**11,794**	**–**	**42,044**
Net unrealised losses on financial investments	**(172,158)**	**–**	**–**	**–**	**(172,158)**
Net realised gains on financial investments	**4,890**	**–**	**–**	**–**	**4,890**
Finance costs	**(275,365)**	**(87,405)**	**(5,230)**	**(42,000)**	**(410,000)**
Income tax (expense) credit	**(26,690)**	**9,757**	**3,467**	**30,803**	**17,337**
Additions to non-current assets *(Note)*	**–**	**20**	**42,441**	**215**	**42,676**
Depreciation	**–**	**(291)**	**(26,114)**	**(8,166)**	**(34,571)**
Net gain on disposal of plant and equipment	**–**	**–**	**2,306**	**–**	**2,306**

For the year ended 31 December 2017

	Direct investments HK$'000	Financial services and others HK$'000	Foundation and substructure construction services HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profits or segment assets:					
Net recognition of impairment losses	(33,564)	(29,278)	(23,161)	–	86,003
Net unrealised gain on financial investments	162,330	–	–	–	162,330
Net realised gains on financial investments	104,795	–	–	–	104,795
Finance costs	(146,751)	(29,650)	(7,576)	(45,868)	(229,845)
Income tax (expenses) credit	(32,583)	(28,427)	1,110	(64,709)	(124,609)
Additions to non-current assets *(Note)*	–	3,466	21,863	18,140	43,469
Depreciation	–	(500)	(29,841)	(5,830)	(36,171)
Net gain on disposal of plant and equipment	–	–	8,594	–	8,594

Note: Non-current assets excluded financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Operating Segment Information (continued)

Geographical information

During the years ended 31 December 2018 and 2017, the Group's operations are located in Hong Kong and the PRC. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	31 December 2018 HK$'000	31 December 2017 HK$'000	**2018 HK$'000**	2017 HK$'000
The PRC	**319,056**	317,371	**1,958**	3,028
Hong Kong (country of domicile)	**1,177,046**	592,312	**78,121**	76,384
	1,496,102	909,683	**80,079**	79,412

Note: Non-current assets excluded financial instruments.

Information about major customers

Revenue from customers who contributed 10% or more of total revenue of the Group are as follows:

	2018 HK$'000	2017 HK$'000
Customer A	**N/A[2]**	114,209[1]

[1] Revenue from foundation and substructure construction services.
[2] No customer contribute 10% or more of the total revenue of the Group for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

7. Revenue

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segment	Foundation and substructure construction services HK$'000	Financial services and others HK$'000	Total HK$'000
Type of service			
Income from construction services	585,456	–	585,456
Income from provision of business consulting services, financing services and others	–	171,950	171,950
Total	585,456	171,950	757,406
Geographical markets			
Mainland China	–	88,983	88,983
Hong Kong	585,456	82,967	668,423
Total	585,456	171,950	757,406
Timing of revenue recognition			
A point in time	–	109,487	109,487
Over time	585,456	65,213	647,919
Total	585,456	171,950	757,406
Revenue from contracts with customers			757,406
Interest income from loan and debt instruments			338,019
Interest income from finance lease receivables			130,861
Interest income from financial assets at FVTPL			166,051
Dividend income			103,765
Total			1,496,102

7. Revenue (continued)

A. For the year ended 31 December 2018 (continued)

(ii) Performance obligations for contracts with customers

Foundation and substructure construction services

The Group provides foundation and substructure construction services to customers. Such services are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced and payment is generally due within 30 days from the date of billing. Revenue is recognised for these construction services based on the construction work completed by the Group and the payment certificates issued by the customers.

Financial services and others

The Group provides business consulting services and financing service to customers. The performance obligation is satisfied when the business consulting services and financing service is completed. Such revenue is recognised at specific point of time and payment of the related service is due immediately at the point from when the service is rendered.

(iii) Transaction price allocated to be remaining performance obligation for contacts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Foundation and substructure construction services HK$'000
Within one year	**675,780**
More than one year but not more than two years	**406,906**
	1,082,686

All business consulting services and financing services provided to the customers are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

7. Revenue (continued)

B. For the year ended 31 December 2017

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

	2017 HK$'000
Income from construction services	
Foundation and substructure construction services	303,564
Dividend income	71,147
Service income	
Income from provision of business consulting services, financing services and others	318,283
Interest income	
Interest income from loan and debt instruments	85,522
Interest income from finance lease receivables	58,620
Interest income from financial assets at FVTPL	9,574
Interest income from AFS	62,973
	216,689
Total	909,683

8. Net Unrealised (Losses) Gains on Financial Investments and Net Realised Gains on Financial Investments

	2018 HK$'000	2017 HK$'000
Net unrealised (losses) gains on financial investments		
Unrealised (losses) gains on financial assets at FVTPL	(172,158)	143,823
Unrealised gains on financial assets designated at FVTPL	N/A	18,507
	(172,158)	162,330
Net realised gains on financial investments		
Realised gains on financial assets at FVTPL	4,890	43,530
Realised gains on AFS	N/A	61,265
	4,890	104,795

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

9. Other (Losses) or Gains

An analysis of other (losses) or gains is as follows:

	2018	2017
	HK$'000	HK$'000
Net exchange losses	**(54,411)**	(3,206)
Net gain on disposal of plant and equipment	**2,306**	8,594
	(52,105)	5,388

10. Net Reversal (Recognition) of Impairment Losses

	2018	2017
	HK$'000	HK$'000
Bad debts on trade receivables of construction services	**–**	(8,741)
Bad debts recovery on trade receivables of construction services	**–**	580
Net recognition of impairment losses on trade and other receivables	**(494)**	(15,000)
Net recognition of impairment losses on finance lease receivables	**(43,287)**	(29,278)
Net reversal (recognition) of impairment losses on loan and debt instruments	**73,537**	(33,564)
Net reversal of impairment losses on contract assets	**12,288**	N/A
	42,044	(86,003)

11. Other Income

An analysis of other income is as follows:

	2018	2017
	HK$'000	HK$'000
Bank interest income	**33,344**	9,674
Others	**12,691**	9,121
	46,035	18,795

12. Finance Costs

An analysis of finance costs is as follows:

	2018	2017
	HK$'000	HK$'000
Financial assets sold under repurchase agreements	**5,587**	–
Interest-bearing borrowings	**404,077**	229,423
Obligations under finance leases	**336**	422
	410,000	229,845

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

13. Profit Before Tax

The Group's profit before tax has been arrived at after charging (crediting):

	2018 HK$'000	2017 HK$'000
Staff costs (including directors' emoluments)		
– Salaries, allowances and benefits in kind	137,358	110,297
– Retirement benefits scheme contributions	7,007	5,465
Total staff costs	144,365	115,762
Less: Amount included in construction contracts in progress	–	(9,892)
	144,365	105,870
Depreciation in respect of plant and equipment		
– Assets held under finance leases	4,605	6,845
– Owned assets	29,966	29,326
	34,571	36,171
Minimum lease payments under operating leases in respect of:		
– motor vehicles	1,087	945
– office premises	86,062	37,039
	87,149	37,984
Auditor's remuneration		
– Audit services	2,800	2,200
– Non-audit services	930	880
	3,730	3,080

14. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2018

	Notes	Directors' Fee HK$'000	Salaries allowances, and benefits in kind HK$'000	Retirement benefits HK$'000	Total HK$'000
Executive Directors					
Mr. Yu Meng *(Chairman)*	*(a)*	–	156	10	166
Mr. Qin Ling	*(b)*	–	1,951	167	2,118
Mr. Zhang Fan	*(c)*	–	1,617	142	1,759
Mr. Xu Xiaowu	*(d)*	–	515	29	544
Mr. Liu Xiguang		–	1,526	107	1,633
Mr. Kwan Wai Ming		–	1,320	18	1,338
Non-executive Director					
Ms. Lin Xueqin		–	–	–	–
Independent Non-executive Directors					
Mr. Tse Chi Wai		240	–	–	240
Mr. Chan Kee Huen Michael		240	–	–	240
Dr. Lam Lee G.		240	–	–	240
Dr. Fang Fuqian		240	–	–	240
Total		960	7,085	473	8,518

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

14. Directors' and Chief Executive's Remuneration (continued)

For the year ended 31 December 2017

	Notes	Directors' Fee HK$'000	Salaries allowances, and benefits in kind HK$'000	Retirement benefits HK$'000	Total HK$'000
Executive Directors					
Mr. Qin Ling *(Chairman)*		–	3,426	152	3,578
Mr. Yeung Chun Wai Anthony *(Vice Chairman)*	*(i)*	227	–	11	238
Mr. Xu Xiaowu *(Chief Executive Officer)*		–	2,082	56	2,138
Mr. Tian Ren Can	*(j)*	69	–	–	69
Mr. Kwan Wai Ming		–	1,320	18	1,338
Ms. Lin Changhua	*(k)*	–	735	38	773
Dr. Niu Shaofeng	*(l)*	–	119	8	127
Mr. Liu Xiguang	*(e)*	–	1,731	41	1,772
Non-executive Directors					
Mr. Wu Qinghua	*(m)*	–	–	–	–
Ms. Lin Xueqin	*(f)*	–	–	–	–
Independent Non-executive Directors					
Mr. Zhang Xiaoman	*(n)*	142	–	–	142
Mr. Tse Chi Wai		150	–	–	150
Mr. Chan Kee Huen Michael		210	–	–	210
Mr. Wu Tak Lung	*(o)*	105	–	–	105
Dr. Lam Lee G.	*(g)*	45	–	–	45
Dr. Fang Fuqian	*(h)*	25	–	–	25
Total		973	9,413	324	10,710

Notes:

(a) Appointed as the Chairman of the Board and Executive Director on 27 November 2018.

(b) Resigned as the Chairman of the Board and Executive Director on 27 November 2018.

(c) Appointed as an Executive Director on 13 March 2018

(d) Resigned as an Executive Director on 13 March 2018.

(e) Appointed as an Executive Director on 26 May 2017.

(f) Appointed as a Non-executive Director on 13 September 2017.

(g) Appointed as an Independent Non-executive Director on 13 September 2017.

(h) Appointed as an Independent Non-executive Director on 11 December 2017.

(i) Resigned as the Vice Chairman of the Board and an Executive Director on 11 December 2017.

(j) Resigned as an Executive Director on 13 April 2017.

(k) Resigned as an Executive Director on 31 October 2017.

(l) Appointed as an Executive Director on 31 October 2017 and resigned on 11 December 2017.

(m) Resigned as a Non-executive Director on 13 September 2017.

(n) Resigned as an Independent Non-executive Director on 11 December 2017.

(o) Resigned as an Independent Non-executive Director on 13 September 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

14. Directors' and Chief Executive's Remuneration (continued)

During the year, no emoluments were paid by the Group to the Directors of the Company as an inducement to join or upon joining the Group or as compensation for the loss of office (2017: nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2018 and 2017.

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: nil).

15. Five Highest Paid Employees

The five highest paid employees included three Directors of the Company for the year ended 31 December 2018 (2017: two), details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the two (2017: three) highest paid employees who are non-Directors of the Company are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and other benefits	**3,253**	6,336
Pension scheme contributions	**234**	229
	3,487	6,565

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

	2018 **Number of employees**	2017 Number of employees
HK$1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**–**	3
	2	3

16. Income Tax (Credit) Expense

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), the tax rate of the PRC subsidiaries is 25% during the year.

	2018 **HK$'000**	2017 HK$'000
Current tax		
Hong Kong	**7,944**	49,314
PRC Enterprise Income Tax	**27,692**	61,015
	35,636	110,329
Overprovision in prior year		
Hong Kong *(Note (i))*	**(30,803)**	–
PRC Enterprise Income Tax *(Note (ii))*	**(11,939)**	–
	(42,742)	–
Total current tax	**(7,106)**	110,329
Current tax	**(7,106)**	110,329
Deferred tax	**(10,231)**	14,280
Total	**(17,337)**	124,609

Notes:

(i) The amount represented overprovision of estimated tax on unused tax loss in prior years.

(ii) The amount represented overprovision of estimated tax on dividend income from subsidiaries in prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

16. Income Tax (Credit) Expense (continued)

The tax charged for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 HK$'000	2017 HK$'000
Profit before tax	**55,156**	394,205
Tax at the domicile tax rate of 16.5% (2017: 16.5%)	**9,101**	65,044
Income not subject to tax	**(22,691)**	(872)
Expenses not deductible for tax	**4,817**	7,708
Overprovision in respect of prior year	**(42,742)**	–
Tax effect of deductible temporary differences not recognised	**17,789**	12,844
Effect of tax losses not recognised	**6,975**	3,139
Effect of different tax rate of subsidiaries operating on other jurisdiction	**9,414**	36,746
Tax (credit) expense	**(17,337)**	124,609

17. Dividends

No dividends were paid, declared or proposed by the Company during the year (2017: nil).

18. Earnings Per Share

The calculation of basic earnings per share attributable to the owners of the Company is based on the following:

	2018 HK$'000	2017 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**9,250**	269,596

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,816,000**	1,723,836

No diluted earnings per share were presented as there were no potential ordinary shares in issue for the years ended 31 December 2018 and 2017.

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19. Plant and Equipment

	Machinery HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
COST						
At 1 January 2017	164,387	4,404	2,118	21,148	3,104	195,161
Exchange adjustment	–	–	7	–	–	7
Additions	19,613	9,952	12,897	3,227	–	45,689
Disposals and written-off	(56,944)	–	(61)	(3,764)	–	(60,769)
At 31 December 2017	127,056	14,356	14,961	20,611	3,104	180,088
Exchange adjustment	–	(62)	(164)	–	–	(226)
Additions	41,689	–	427	560	–	42,676
Disposals and written-off	(14,430)	–	(156)	(300)	–	(14,886)
At 31 December 2018	154,315	14,294	15,068	20,871	3,104	207,652
ACCUMULATED DEPRECIATION						
At 1 January 2017	95,359	2,019	693	10,336	710	109,117
Exchange adjustment	–	–	1	–	–	1
Charge for the year	23,307	4,816	3,207	4,067	774	36,171
Eliminated on disposals and written-off	(39,936)	–	(39)	(2,798)	–	(42,773)
At 31 December 2017	78,730	6,835	3,862	11,605	1,484	102,516
Exchange adjustment	–	(10)	(35)	–	–	(45)
Charge for the year	21,889	3,480	4,547	3,881	774	34,571
Eliminated on disposals and written-off	(7,457)	–	(97)	(75)	–	(7,629)
At 31 December 2018	93,162	10,305	8,277	15,411	2,258	129,413
CARRYING VALUES						
At 31 December 2018	61,153	3,989	6,791	5,460	846	78,239
At 31 December 2017	48,326	7,521	11,099	9,006	1,620	77,572

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery	4 – 5 years
Leasehold improvements	Over the shorter of the term of the lease, or 3 – 5 years
Office equipment	3 – 5 years
Motor vehicles	4 – 6 years
Furniture and fixtures	4 – 5 years

At 31 December 2018, the carrying value of machinery and motor vehicles include amount of HK$10,054,000 and HK$1,284,000 (2017: HK$19,410,000 and HK$2,520,000) represented assets held under finance leases respectively (Note 29).

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20. Financial Investments

	2018 HK$'000	2017 HK$'000
Financial asset at FVTOCI		
Non-current		
– Unlisted equity security	650	N/A
AFS		
Non-current		
– Unlisted funds	N/A	1,038,774
– Unlisted debt instruments	N/A	534,507
– Unlisted equity security	N/A	650
– Unlisted asset management plan	N/A	346,927
	N/A	1,920,858
Current		
– Listed debt instruments	N/A	523,387
– Unlisted debt instruments	N/A	1,869,990
	N/A	2,393,377
Financial assets designated at FVTPL		
Non-current		
– Unlisted fund investments *(Note (i))*	N/A	251,929
Current		
– Unlisted fund investments *(Note (i))*	N/A	500,280
– Unlisted convertible bonds *(Note (ii))*	N/A	639,441
	N/A	1,139,721
Held-for-trading investments		
Current assets		
– Equity securities listed in Hong Kong and Australia	N/A	467,919
– Listed debt instruments *(Note (iv))*	N/A	1,364,907
– Unlisted warrant	N/A	713
– Unlisted put options on equity securities *(Note (iii))*	N/A	129,477
	N/A	1,963,016
Current liability		
– Unlisted foreign exchange forward contracts	N/A	(17,384)
Financial assets at FVTPL		
Non-current		
– Unlisted asset management plan *(Note (v))*	61,816	N/A
– Unlisted fund and debt investments *(Note (i))*	1,684,274	N/A
	1,746,090	N/A

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20. Financial Investments (continued)

	2018 HK$'000	2017 HK$'000
Current		
– Equity securities listed in Hong Kong and Australia	**273,376**	N/A
– Listed debt instruments *(Note (iv))*	**1,662,879**	N/A
– Unlisted warrant	**713**	N/A
– Unlisted put options on equity securities *(Note (iii))*	**141,787**	N/A
– Unlisted fund investments *(Note (i))*	**244,482**	N/A
– Unlisted convertible bonds *(Note (ii))*	**589,040**	N/A
– Unlisted foreign exchange forward contracts	**29,445**	N/A
– Unlisted equity security	**34,240**	N/A
	2,975,962	N/A
Financial liability at FVTPL		
Current		
– Unlisted foreign exchange forward contracts	**(417)**	N/A
Analysed for reporting purposes as:		
Non-current assets	**1,746,740**	2,172,787
Current assets	**2,975,962**	5,496,114
	4,722,702	7,668,901
Current liabilities	**(417)**	(17,384)

Notes:

(i) The unlisted fund investments represent investments in different private equity funds.

(ii) The coupon rate of these convertible bonds are ranging from 4% to 8% (2017: from 4% to 8%) per annum. These convertible bonds can be convertible into the ordinary shares of company listed in Hong Kong and Australia at the option of the Group. These are either maturing within twelve months after the end of the reporting period or freely transferable to third parties with the Group expect to realise the convertible bonds within twelve months after the end of the reporting period. The fair value of the convertible bonds were determined by independent valuers not connected to the Group. On 16 January 2019, the Company was informed by an issuer that the maturity date of a convertible bond amounted to HK$121,000,000 has been amended and extended to 16 January 2021.

(iii) The fair value of the put options on equity securities were determined by independent valuers not connected to the Group. Those related equity securities are listed in Hong Kong amounted to HK$90,396,000. The terms of these put options are ranging from 3 years to 4 years and are expected to be realised within twelve months after the end of the reporting period.

(iv) At 31 December 2018, no listed debt instruments have been pledged as security for the borrowing (31 December 2017: HK$1,364,907,000) and listed debt instruments amounted to HK$654,279,000 are related to repurchase agreements.

(v) The asset management plan is a structured plan managed by a financial institution which underlying assets are subordinated asset-backed securities, mainly comprise of receivables traded on the national inter-bank bond market issued by China Merchants Bank Co., Ltd.

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For the year ended 31 December 2018

21. Finance Lease Receivables

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Current assets	**463,767**	473,671
Non-current assets	**988,144**	1,447,928
	1,451,911	1,921,599

	Minimum lease payments		Present value of minimum lease payments	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Finance lease receivables comprise:				
Within one year	**609,969**	615,427	**507,893**	481,140
After one year but within two years	**503,978**	522,941	**432,865**	422,550
After two years but within five years	**699,222**	1,152,473	**649,297**	1,033,926
After five years	**–**	14,683	**–**	14,283
	1,813,169	2,305,524	**1,590,055**	1,951,899
Less: Unearned finance income	**(223,114)**	(353,625)	**N/A**	N/A
	1,590,055	1,951,899	**1,590,055**	1,951,899
Less: Allowance for impairment losses	**(138,144)**	(30,300)	**(138,144)**	(30,300)
Present value of lease receivables	**1,451,911**	1,921,599	**1,451,911**	1,921,599

At 31 December 2018, finance lease receivable are all secured by the leased assets which are mainly machineries, motor vehicles, and equipment.

Effective interest rate of the above finance leases is ranging from 5.92% to 10.23% per annum (2017: ranging from 5.90% to 10.23%).

At 31 December 2018, the gross carrying amount of the finance lease receivables which has been pledged as security for the borrowing, is Renminbi ("RMB") 339,977,000 (equivalent to HK$388,013,000 (2017: RMB41,414,000 (equivalent to HK$49,544,000)).

Movements of provision for impairment losses on finance lease receivables during the year are as follows:

	HK$'000
At 1 January 2017	–
Provision for impairment losses	29,278
Exchange difference arising on translation of foreign operations	1,022
At 31 December 2017	30,300
Additional ECL allowance on adoption of HKFRS 9	68,279
Exchange difference arising on translation of foreign operations	2,383
At 1 January 2018	**100,962**
Net recognition of impairment losses for the year	**43,287**
Exchange difference arising on translation of foreign operations	**(6,105)**
At 31 December 2018	**138,144**

Details of impairment assessment for the year ended 31 December 2018 are set out in note 47(b).

22. Loan and Debt Instruments

	2018 HK$'000	2017 HK$'000
Loan receivables	**1,285,585**	2,038,892
Less: Provision for impairment losses	**(17,361)**	(31,232)
	1,268,224	2,007,660
Unlisted debt instruments	**1,598,340**	192,182
Less: Provision for impairment losses	**(29,409)**	(2,883)
	1,568,931	189,299
Total	**2,837,155**	2,196,959
Analysed for reporting purpose as:		
Current assets	**1,568,867**	971,257
Non-current assets	**1,268,288**	1,225,702
	2,837,155	2,196,959

At 31 December 2018, loan and debt instruments measured at amortised cost are lent to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual maturity ranging from approximately three months to two years from 31 December 2018. The above loan and debt instruments bear fixed interest rates ranging from 7% to 15% per annum (2017: 7% to 15% per annum). At 31 December 2018, loan and debt instruments with carrying amount of approximately HK$2,837,155,000 (2017: HK$1,930,664,000) are secured by land in the PRC, listed equity issued by a company listed in Hong Kong and unlisted equity interests. There were no unsecured loan and debt instrument as at 31 December 2018 (2017: HK$76,996,000).

At 31 December 2018, included in the Group's loan and debt instruments balance are debtors with aggregate carrying amount of HK$344,346,000 which are past due less than 30 days as at the reporting date and the remaining loan and debt instruments are not past due as at the reporting date. The Directors of the Company considers the credit risks of loan and debt instruments have not increased significantly. At 31 December 2017, there are no loan and debt instruments that are past due but not impaired.

Regular reviews on these loan and debt instruments are conducted by the risk management department based on the latest status of these loan and debt instruments, and the latest announced or available information about the borrowers and the underlying collaterals held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

At 31 December 2018, the Group has concentration of credit risk as 76% (2017: 97%) of total loan and debt instruments was due from the Group's five largest borrowing customers.

Interest income derived from loan and debt instruments was recognised as "interest income from loan and debt instruments".

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22. Loan and Debt Instruments (continued)

Movements in the allowances for impairment are as follows:

	HK$'000
At 1 January 2017	–
Provision for impairment losses	33,564
Exchange difference arising on translation of foreign operations	551
At 31 December 2017	34,115
Additional ECL allowance on adoption of HKFRS 9	86,581
Exchange difference arising on translation of foreign operations	307
At 1 January 2018	**121,003**
Net reversal of impairment losses during the year	**(73,537)**
Exchange difference arising on translation of foreign operations	**(696)**
At 31 December 2018	**46,770**

Details of impairment assessment of loan and debt instruments for the year ended 31 December 2018 are set out in Note 47(b).

23. Amounts Due from (to) Customers for Contract Work

	2017 HK$'000
Contracts in progress at the end of the reporting period	
Contract costs incurred plus recognised profits less recognised losses	824,378
Less: progress billings	(765,848)
	58,530
Analysed for reporting purposes as:	
Amounts due from customers for contract work	62,369
Amounts due to customers for contract work	(3,839)
	58,530

At 31 December 2017, retentions held by customers for contract works amounted to HK$60,540,000 and was included in trade and other receivables (Note 25).

24. Contract Assets

	31 December 2018 HK$'000	1 January 2018* HK$'000
Analysed for reporting purposes as:		
Unbilled revenue *(Note a)*	92,100	30,753
Retention receivables *(Note b)*	55,898	60,540
	147,998	91,293
Less: Provision for impairment losses	(17,074)	(29,362)
	130,924	61,931

* The amounts in this column are after the adjustments from the application of HKFRS 9 and 15.

Notes:

(a) Unbilled revenue included in contract assets represents the Group's right to receive consideration for work completed but not yet billed because the rights are conditional upon the satisfaction by the customers on the construction work completed by the Group and the work is pending for the certification by the customers. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the time the Group obtains the certification of the completed construction work from the customers.

(b) Retention receivables included in contract assets represents the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period of time as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed.

Retention receivables are unsecured, interest-free and recoverable at the end of the defect liability period of individual contracts, ranging from 1 to 2 years from the date of the completion of the respective project. The Group does not hold any collateral over these balances.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

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24. Contract Assets (continued)

The movements in provision for impairment losses of contract assets are as follows:

	HK$'000
At 31 December 2017	N/A
Reclassification from trade and other receivables on adoption of HKFRS 15 *(Note 25(ii))*	15,000
Additional ECL allowance on adoption of HKFRS 9	14,362
At 1 January 2018	**29,362**
Net reversal of impairment losses during the year	**(12,288)**
At 31 December 2018	**17,074**

Details of impairment assessment of contract assets for the year ended 31 December 2018 are set out in Note 47(b).

25. Trade and Other Receivables

The following is an analysis of trade and other receivables at the end of the reporting period:

	2018	2017
	HK$'000	HK$'000
Trade receivables *(Note (i))*	**95,211**	82,657
Rental deposit *(Note (iv))*	**28,216**	28,277
Prepayments and other receivables *(Note (iii))*	**184,578**	64,600
Retention receivables	**N/A**	60,540
	308,005	236,074
Less: Provision for impairment losses on trade and other receivables *(Note (ii))*	**(740)**	(15,000)
Trade and other receivables	**307,265**	221,074
Analysed for reporting purpose as:		
Current assets	**279,909**	192,797
Non-current assets *(Note (iv))*	**27,356**	28,277
	307,265	221,074

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25. Trade and Other Receivables (continued)

Notes:

(i) Trade receivables are normally due within 30 days (2017: within 30 days) from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Within 1 month	**94,356**	81,572
1 to 3 months	**617**	1,085
Over 3 months	**238**	–
	95,211	82,657

At 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$855,000 which are past due as at the reporting date. Out of the past due balances, HK$238,000 of trade receivable has been past due 90 days or more.

At 31 December 2017, 99% of the trade receivables are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring system used by the Group.

At 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$1,085,000 which are past due as at the reporting date for which the Group has not provided for impairment loss.

The aged analysis of trade receivables which were past due but not impaired is set out below:

	2017 HK$'000
Less than 1 month past due	1,085
	1,085

(ii) The movements in provision for impairment loss of trade and other receivables are as follows:

	HK$'000
At 1 January 2017	–
Provision for impairment losses	15,000
At 31 December 2017	15,000
Reclassification to contract assets on adoption of HKFRS 15 *(Note 24(b))*	(15,000)
Additional ECL allowance on adoption of HKFRS 9	246
At 1 January 2018	**246**
Provision for impairment losses during the year	**494**
At 31 December 2018	**740**

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in Note 47(b).

(iii) At 31 December 2018 and 2017, the Group has restricted deposits paid in respect of performance bond issuance for it by insurance companies amounting to HK$17,771,000 and HK$12,320,000 respectively.

(iv) All non-current portion are rental deposits.

26. Deposits in Other Financial Institutions

The amounts represented deposits placed with securities brokers for securities trading purpose and carry interest at prevailing market rates.

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27. Bank Balances and Cash/Pledged Bank Deposits

	2018 HK$'000	2017 HK$'000
Cash and balances with banks	738,955	552,884
Pledged bank deposits	–	953,658
	738,955	1,506,542
Less: Pledged deposits for bank loans	–	(953,658)
Cash and cash equivalents	738,955	552,884

Cash and balances with banks earn interest at floating rates based on daily bank deposit rates. These are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits for bank loans are deposited with creditworthy banks with no recent history of default.

Details of impairment assessment for bank balances and cash for the year ended 31 December 2018 are set out in Note 47(b).

28. Trade and Other Payables

The following is an analysis of trade and other payables at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Trade payables from foundation and substructure construction services *(Note (i))*	130,569	88,094
Deposit from finance lease customers *(Note (ii))*	37,381	65,455
Retention money payables	44,667	32,940
Other payables, accruals and others	154,502	134,351
	367,119	320,840
Analysed for reporting purposes as:		
Current liabilities	331,651	255,385
Non-current liabilities *(Note (ii))*	35,468	65,455
	367,119	320,840

Notes:

(i) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Within 1 month	29,559	23,177
1 to 3 months	46,736	23,305
3 to 6 months	11,934	1,577
Over 6 months	42,340	40,035
	130,569	88,094

The average credit period granted to the Group is 0 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(ii) All non-current portion are deposits from finance lease customers with lease terms expiring after one year.

29. Obligations Under Finance Leases

	2018 **HK$'000**	2017 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**3,782**	7,692
Non-current liabilities	**3,946**	5,637
	7,728	13,329

It is the Group's policy to lease certain of its machineries and motor vehicles under finance leases. The average lease term is 3 years (2017: 3 years). Interest rates underlying obligations under finance leases are fixed at respective contract rates ranging from 2.60% to 4.80% (2017: 2.60% to 4.80%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2018 **HK$'000**	2017 HK$'000	**2018** **HK$'000**	2017 HK$'000
Analysed for reporting purposes as:				
Within one year	**3,943**	7,965	**3,782**	7,692
Within a period of more than one year but not more than two years	**3,353**	2,906	**3,291**	2,795
Within a period of more than two years but not more than five years	**660**	2,890	**655**	2,842
	7,956	13,761	**7,728**	13,329
Less: future finance charges	**(228)**	(432)	**N/A**	N/A
Present value of lease obligations	**7,728**	13,329	**7,728**	13,329
Less: Amounts due for settlement within twelve months (shown under current liabilities)			**(3,782)**	(7,692)
Amounts due for settlement after twelve months			**3,946**	5,637

All finance lease obligations are denominated in Hong Kong dollars.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (Note 19).

At 31 December 2018, finance leases of approximately HK$2,681,000 (2017: HK$2,681,000) were secured by the corporate guarantee provided by the Company.

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30. Interest-Bearing Borrowings

	2018	2017
	HK$'000	HK$'000
Bank overdrafts	**–**	655,403
Bank loans	**1,450,960**	7,177,873
	1,450,960	7,833,276
Other loans	**5,554,875**	3,213,304
	7,005,835	11,046,580
Secured	**306,610**	2,300,353
Unsecured	**6,699,225**	8,746,227
	7,005,835	11,046,580
The carrying amounts of the borrowings are repayable*:		
Within one year	**1,375,887**	1,903,572
Within a period of more than one year but not exceeding two years	**821,730**	689,773
Within a period of more than two years but not exceeding five years	**3,119,561**	1,412,733
Within a period of more than five years	**843,163**	841,435
	6,160,341	4,847,513
The carrying amounts of the borrowings are repayable on demand clause (shown under current liabilities) but repayable: Within one year	**845,494**	6,199,067
	7,005,835	11,046,580
Less: Amounts due within one year shown under current liabilities	**(2,221,381)**	(8,102,639)
Amounts due from settlement after 12 months and shown under non-current liabilities	**4,784,454**	2,943,941

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

30. Interest-Bearing Borrowings (continued)

The secured borrowings as at 31 December 2018 of RMB268,051,000 (equivalent to approximately HK$306,610,000) (2017: RMB41,610,000 (equivalent to HK$49,778,000)) are secured by finance lease receivables.

Included in the other loan, the Group has borrowings from the following parties:

(a) its immediate holding company, Right Select International Limited ("Right Select") in the amount of USD487,120,000 (approximately HK$3,815,569,000) and HK$447,320,000 respectively (2017: its intermediate holding company, CHIH, amounting to USD300,000,000 (approximately HK$2,345,061,000));

(b) an Executive Director of the Company, Mr. Kwan Wai Ming ("Mr. Kwan"), amounting to HK$24,500,000 (2017: HK$22,500,000);

(c) a director of a subsidiary of the Company, Mr. Leung Kam Chuen ("Mr. Leung"), amounting to HK$29,500,000 (2017: HK$27,500,000);

(d) a related company, Acute Peak Investments Limited ("Acute Peak"), which is 50% owned by Mr. Leung and 50% owned by Mr. Kwan, amounting to HK$250,000,000 (2017: HK$250,000,000); and

(e) fellow subsidiaries of the Company, in the amounts of HK$86,361,000, RMB720,000,000 (approximately HK$821,730,000) and USD10,200,000 (approximately HK$79,896,000) respectively (2017: in the amount of RMB475,000,000 (approximately HK$568,243,000)) respectively. All of the above other loans are unsecured and are for the expansion of the Group's business purpose.

At 31 December 2018, the Group's borrowings bear fixed interest rates ranging from 2.80% to 6.30% per annum (2017: 3.00% to 6.50% per annum), and floating interest rates ranging from 4.44% to 4.69% per annum (2017: 2.34% to 3.83%).

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31. Financial Assets Sold Under Repurchase Agreements

The following is an analysis of financial assets sold under repurchase agreements at the end of the reporting period:

	2018 **HK$'000**	2017 HK$'000
Analysed by collateral type:		
– Listed debt instruments	**511,853**	–

Sales and repurchase agreements are transactions in which the Group sells listed debt instruments and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are pre-determined and the Group is still exposed to substantially all the credit risks, market risks and rewards of those listed debt instruments.

At 31 December 2018, the Group entered into repurchase agreements with financial institutions to sell listed debt instruments recognised as financial assets at FVTPL with carrying amount of approximately HK$654,279,000 (Note 20(iv)), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. These listed debt instruments are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these bonds and preference shares.

32. Amounts Due from (to) the Immediate Holding Company, an Intermediate Holding Company and Fellow Subsidiaries

The balances with the immediate holding company, an intermediate holding company and fellow subsidiaries are non-trade in nature which are unsecured, interest-free and repayable on demand.

33. Contract Liability

	At **31 December** **2018** **HK$'000**	At 1 January 2018* HK$'000
Advances from customer of construction contract, current	**40,000**	–

* The amount is after the adjustment from the application of HKFRS 15.

Contract liability of the Group, which is expected to be settled within the Group's normal operating cycle, are classified as current.

When the Group receives upfront payment or cash advances before the construction activity commences, this will give rise to contract liability at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the cash advances.

34. Deferred Tax Liabilities

The followings are the major deferred tax (liabilities) assets recognised and movements thereof:

	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses HK$'000	Fair value change of financial assets at FVTPL HK$'000	Others HK$'000	Total HK$'000
At 1 January 2017	(9,488)	3,805	–	(1,065)	(6,748)
Credited (charged) to profit or loss	695	–	(14,975)	–	(14,280)
At 31 December 2017	(8,793)	3,805	(14,975)	(1,065)	(21,028)
Effect arising from initial application of HKFRS 15 *(Note 3.3)*	–	–	–	1,065	1,065
Credited to profit or loss	–	3,466	6,765	–	10,231
At 31 December 2018	**(8,793)**	**7,271**	**(8,210)**	**–**	**(9,732)**

At 31 December 2018, a deferred tax asset of HK$7,271,000 (2017: HK$3,805,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK$150,428,000 (2017: HK$108,156,000) due to the unpredictability of future profit streams.

At 31 December 2018, the Group had deductible temporary differences of approximately HK$359,022,000 (2017: HK$79,054,000) arising from impairment, depreciation and fair value change, where no deferred tax assets had been recognised due to the unpredictability of future profits streams.

35. Share Capital

	Number of shares '000	Total value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January and 31 December 2017 and 2018	20,000,000	20,000
Issued and fully paid:		
At 1 January 2017	1,236,000	12,360
Issue of new shares upon placing *(Note)*	580,000	5,800
At 31 December 2017 and 2018	**1,816,000**	**18,160**

Note:

Pursuant to the subscription, the subscribed shares have been duly allotted and issued to Right Select International Limited ("Right Select"), a wholly-owned subsidiary of CHIH, on 28 February 2017. Immediately after the completion of the subscription, there are 1,816,000,000 shares of the Company in issue and the shareholding held indirectly by CHIH represented approximately 50.99% of the issued share capital of the Company as enlarged by the issue of the subscription shares.

All shares issued rank pari passu in all respects with all shares then in issue.

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36. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 74 to 75 of this report.

37. Perpetual Capital Instruments

Movement of the perpetual capital instruments is as follows:

	HK$'000
At 1 January 2017	–
Issuance of perpetual capital bond *(Note)*	1,266,333
At 31 December 2017	1,266,333
Profit for the year attributable to holder of perpetual capital bond	63,243
At 31 December 2018	**1,329,576**

Note:

On 27 December 2017, the Company issued perpetual capital bond with the face value of USD162,000,000 (equivalent to approximately HK$1,266,333,000) at distribution rate of 4.981% per annum to Blossom Direction Limited, the fellow subsidiary of the Company. The perpetual capital bond is classified as equity instrument, There is no maturity of the bond and the payments of distribution can be deferred indefinitely at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual capital bond will be made at the distribution rate as set out in the subscription agreement.

38. Operating Lease Commitment

The Group as lessee

At the end of the reporting year, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**89,414**	83,605
In the second to fifth year inclusive	**267,558**	328,082
After fifth year	**–**	45,165
	356,972	456,852

Operating lease payments represent rentals payable by the Group for certain of its storage, office premises, staff quarters and car parking spaces. Leases are negotiated and rentals are fixed for an average term of one to three years (2017: one to seven years).

39. Capital Commitment

	2018 HK$'000	2017 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**10,818**	49,866

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40. Share-Based Payment Transactions

Pursuant to the written resolutions of the shareholder of the Company on 8 December 2014, the Company adopted a share option scheme (the “Scheme”) to attract and retain the best available personnel, to provide additional incentive to employees (full-time or part-time), Directors of the Company, consultants or advisors, Distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company’s shareholders. Options granted to substantial shareholders or independent non-executive Directors of the Company in excess of 0.1% of the Company’s share capital or with a value in excess of HK$5 million must be approved in advance by the Company’s shareholders.

Options granted must be taken up within seven days inclusive of the day on which such offer was made, upon payment of HK$1 per option. Options may be exercised at any time during a period as the Directors of the Company may determine which shall not exceed ten years from the date of grant. The exercise price is determined by the Directors of the Company, and will be at least the higher of (i) the closing price of the Company’s shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s share.

No share options were granted since the adoption of the Scheme and there are no outstanding share options at the end of each reporting period.

41. Retirement Benefits Plans

The Group participates in a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% (2017: 5%) of relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which contribution is matched by employees.

The employees of the Group’s subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of PRC. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2018, the total amount contributed by the Group to these schemes and charged to the consolidated statement of profit or loss and other comprehensive income was approximately HK$7,007,000 (2017: HK$5,465,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

42. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	At 1 January 2018 HK$'000	Financing cash flows HK$'000	Finance costs HK$'000	New finance leases HK$'000 (Note 50)	Foreign exchange HK$'000	At 31 December 2018 HK$'000
Interest-bearing borrowings	11,046,580	(4,023,385)	–	–	(17,360)	7,005,835
Financial assets sold under repurchase agreements	–	511,853	–	–	–	511,853
Obligations under finance leases	13,329	(8,575)	–	2,974	–	7,728
Interest payables	9,195	(415,022)	410,000	–	–	4,173
Amount due to an intermediate holding company	8,696	(8,677)	–	–	–	19
Amount due to the immediate holding company	–	153,050	–	–	–	153,050
Amounts due to fellow subsidiaries	9,085	35,755	–	–	–	44,840
Amounts due to related parties	12,202	2,124	–	–	–	14,326
Total	11,099,087	(3,752,877)	410,000	2,974	(17,360)	7,741,824

			Non-cash changes			
	At 1 January 2017 HK$'000	Financing cash flows HK$'000	Finance costs HK$'000	New finance leases HK$'000 (Note 50)	Foreign exchange HK$'000	At 31 December 2017 HK$'000
Interest-bearing borrowings	2,735,958	8,302,722	–	–	7,900	11,046,580
Obligations under finance leases	12,995	(8,936)	422	8,848	–	13,329
Interest payables	–	(220,228)	229,423	–	–	9,195
Amount due to an intermediate holding company	8,627	69	–	–	–	8,696
Amounts due to fellow subsidiaries	–	9,085	–	–	–	9,085
Amounts due to related parties	7,982	4,220	–	–	–	12,202
Total	2,765,562	8,086,932	229,845	8,848	7,900	11,099,087

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43. Net Cash From (Used in) Operating Activities

	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**55,156**	394,205
Adjustments for:		
Finance costs	**410,000**	229,845
Net (reversal) recognition of impairment losses	**(42,044)**	86,003
Depreciation	**34,571**	36,171
Net gain on disposal of plant and equipment	**(2,306)**	(8,594)
Bank interest income	**(33,344)**	(9,674)
Net unrealised losses (gains) on fair value change of financial investments	**172,158**	(162,330)
Dividend income	**(75,289)**	(71,147)
Interest income from financial assets	**(634,931)**	(216,689)
Operating cash flows before movements in working capital	**(116,029)**	277,790
Increase in amounts due from customers for contract work	**–**	(18,529)
(Increase) decrease in trade and other receivables	**(81,525)**	56,894
Decrease (increase) in rental deposits	**61**	(28,277)
Decrease (increase) in loan and debt instruments	**1,750,950**	(1,908,239)
Decrease (increase) in finance lease receivables	**355,739**	(1,892,084)
Decrease (increase) in financial investments	**471,492**	(1,651,697)
Decrease (increase) in deposits in other financial institutions	**6,592**	(115,245)
Decrease in amounts due to customers for contract work	**–**	(11,163)
Increase in contract assets	**(56,705)**	–
Increase in trade and other payables	**79,375**	11,258
Increase in contract liability	**40,000**	–
(Decrease) increase in deposit from finance lease customers	**(28,074)**	65,455
Cash generated from (used in) operations	**2,421,876**	(5,213,837)
Income taxes paid	**(39,099)**	(40,853)
Dividend received	**75,289**	71,147
Interest income received from financial assets	**596,288**	179,687
Bank interest income received	**20,980**	9,674
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**3,075,334**	(4,994,182)

44. Transfer of Financial Assets

	Carrying amount of pledged assets		Related liabilities *(Note)*	
	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Financial assets at FVTPL				
– Listed debt instruments	**654,279**	–	**511,853**	–

Note: The related liabilities of those pledged listed debt instruments are financial assets sold under repurchase agreements disclosed in Note 31.

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45. Related Party Transactions

Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant transactions with related parties:

(a) During the year, the Directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationships
Mr. Leung	Director of a subsidiary of the Company
Mr. Kwan	Executive Director of the Company
Mr. Qin Ling	Chairman of the Board of Director of the Company (resigned from 27 November 2018)
Mr. Liu Xiguang	Executive Director of the Company
Mr. Xu Xiaowu	Executive Director of the Company (resigned from 13 March 2018)
Fortune Famous Engineering (Transportation) Company Limited ("Fortune Famous")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited ("HKGG")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Group Team Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
CHIH	Intermediate holding company
Right Select	Immediate holding company
華融晟遠（江西）企業管理有限公司（"華融晟遠江西"）	Fellow subsidiary
Blossom Direction Limited	Fellow subsidiary
Diamond Summit Global Limited ("Diamond Summit")	Fellow subsidiary
Jade Treasure Limited ("Jade Treasure")	Fellow subsidiary
Treasure Map Limited ("Treasure Map")	Fellow subsidiary
Ocean Summit Global Limited ("Ocean Summit")	Fellow subsidiary

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Huarong as at 31 December 2018. For the current year, the Group has undertaken transactions with certain entities directly or indirectly owned by the PRC government, including but not limited to receiving loan facilities. The Group is of opinion that these transactions are in normal business terms that do not require separate disclosure.

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45. Related Party Transactions (continued)

(b) During the year, the Group entered into the following transactions with related parties:

	Notes	**2018 HK$'000**	2017 HK$'000
Management fee income received from:			
– Right Select	*(i)*	**2,800**	2,800
Expense paid on behalf of:			
– Executive Directors	*(i)*	**–**	256
Recharge of office rent, rates and management fee by:			
– Group Team Limited	*(i)*	**(3,276)**	(3,266)
Operating lease payments of motor vehicles made to:			
– Fortune Famous	*(i)*	**(235)**	(477)
– HKGG	*(i)*	**(468)**	(468)
Interest expense paid/payable to:			
– CHIH	*(i)*	**(22,420)**	(113,036)
– Right Select	*(i)*	**(112,424)**	–
– Mr. Leung	*(i)*	**(904)**	(896)
– Mr. Kwan	*(ii)*	**(754)**	(733)
– Acute Peak	*(i)*	**(2,500)**	(5,404)
– 華融晟遠（江西)	*(i)*	**(40,444)**	(14,334)
– Treasure Map	*(i)*	**(756)**	–

Notes:

(i) The related party transactions in respect of (i) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(ii) The related party transactions in respect of (ii) above constitute connected transactions and the disclosures required by Chapter 14A of the Listing Rules, details of which are provided in the "Report of the Directors" section of the annual report of the Company.

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45. Related Party Transactions (continued)

(c) The information about amounts due from (to) of the following related parties are as follows:

		Amounts due from related parties		Amounts due to related parties	
	Note	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Immediate holding company					
Right Select		**–**	2,800	**153,050**	–
Intermediate holding company					
CHIH		**–**	–	**19**	8,696
Fellow subsidiaries					
華融晟遠（江西)		**94**	–	**29,218**	9,085
Blossom Direction Limited		**7**	95,199	**–**	–
Diamond Summit		**1,015**	–	**–**	–
Jade Treasure		**–**	–	**7,323**	–
Wonder Global Group Limited		**–**	2,823	**–**	–
Pure Heart Group Limited		**–**	2,823	**–**	–
Ocean Summit		**1,692**	–	**–**	–
Plenty Choice		**–**	–	**7,499**	–
Others		**460**	120	**800**	–
		3,268	100,965	**44,840**	9,085
Related parties					
Acute Peak		**–**	–	**13,283**	10,787
Fortune Famous		**–**	–	**20**	20
HKGG		**–**	–	**39**	39
Mr. Leung		**–**	–	**511**	716
Mr. Kwan		**–**	–	**473**	640
Executive Directors	*(i)*	**–**	26	**–**	–
		–	26	**14,326**	12,202
		3,268	103,791	**212,235**	29,983

The amount due from (to) the immediate holding company, amount due to an intermediate holding company, amounts due from (to) fellow subsidiaries and amounts due from (to) related parties are unsecured, interest-free and no repayment term.

(i) The maximum amount outstanding of amounts due from Executive Directors during the year was approximately HK$26,000 (2017: HK$30,000).

45. Related Party Transactions (continued)

(d) Compensation of key management personnel

The remunerations of the Directors of the Company and other members of key management during the current year and prior year were as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	**12,268**	17,767
Post-employment benefits	**739**	528
	13,007	18,295

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(e) Mr. Kwan and Mr. Leung has provided indemnification of approximately HK$65,174,000 (2017: HK$34,479,000) to the performance bonds as further detailed in Note 51.

46. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of obligations under finance leases disclosed, interest-bearing borrowings, financial assets sold under repurchase agreements amounts due to related parties, deposits in other financial institutions and net of cash and cash equivalents, and equity attributable to the owners of the Company, comprising issued share capital, reserves, perpetual capital instruments and retained earnings.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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For the year ended 31 December 2018

47. Financial Instruments

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at FVTPL	4,722,052	–
Financial assets at FVTOCI	650	–
Financial assets at amortised cost	3,929,867	–
AFS	–	4,314,235
Financial assets designated at FVTPL	–	1,391,650
Held for trading investments	–	1,963,016
Loans and receivables	–	4,131,038
Total	8,652,569	11,799,939
Financial liabilities		
Financial liabilities at FVTPL	417	17,384
At amortised cost	8,079,079	11,327,343
Total	8,079,496	11,344,727

(b) Financial risk management objectives and policies

The Group's major financial instruments comprise financial assets at FVTPL, financial assets at FVTOCI, AFS, financial assets designated at FVTPL, held for trading investments, financial liabilities at FVTPL, loan and debt instruments, deposits in other financial institutions, trade receivables, deposits and other receivables, trade and other payables, deposits from finance lease customers, amounts due from/to fellow subsidiaries, amount due from the immediate holding company, amount due to an intermediate holding company, amounts due from/to related parties, bank balances and cash, pledged bank deposit, financial assets sold under repurchase agreement and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effect manner.

Currency risk

Foreign currency risk is the risk that the value of an asset and liability denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk primarily arises from sales and purchases of investments and provision of business consulting and financing services by operating entities in currencies other than the Group's functional currency of the respective entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Foreign currency	2018 HK$'000	2017 HK$'000
Financial assets at FVTPL – assets	USD	**3,455,295**	–
	RMB	**215,448**	–
Financial assets at FVTPL – liabilities	USD	**(417)**	–
Finance lease receivables	RMB	**1,451,911**	1,921,599
Rental deposits	RMB	**1,139**	1,324
Account receivables	RMB	**18,402**	19,487
	USD	**20,378**	30,586
Other receivables	RMB	**695**	535
Deposits in other financial institutions	RMB	**55,452**	45,459
	USD	**16,736**	27,401
Bank balances and cash	RMB	**166,266**	29,742
	USD	**116,873**	1,330,047
AFS	USD	**–**	2,135,333
	RMB	**–**	346,927
Financial assets designated at FVTPL	RMB	**–**	95,704
Held for trading investments – assets	USD	**–**	1,364,907
Held for trading investments – liabilities	USD	**–**	(17,384)
Loans and receivables	USD	**344,175**	1,573,440
	RMB	**765,358**	1,132,950
Other payables	RMB	**(403)**	(8,805)
Deposit from finance lease customers	RMB	**(37,381)**	(65,455)
Interest-bearing borrowings	USD	**(4,522,098)**	(5,236,786)
	RMB	**(1,128,340)**	(1,670,766)
Financial assets sold under repurchase agreements	USD	**(165,669)**	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the USD and RMB. As the USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. At 31 December 2018, if HK$ had strengthened/weakened by 5% (2017: 5%) against RMB with all other variables held constant, profit after tax for those companies for the year would have been HK$62,982,000 higher/lower (2017: HK$77,183,000 higher/lower on profit after tax). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate convertible bond, fixed-rate finance lease receivables, fixed-rate loan and debt instruments, fixed-rate obligations under finance leases, fixed-rate financial assets sold under repurchase agreements and fixed-rate interest-bearing borrowings held by the Group. The Group is also exposed to cash flow interest rate risk in relation to variable-rate deposits in other financial institutions, variable-rate bank balances, variable pledge bank deposits and variable-rate interest-bearing borrowings.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate arising from the Group's variable interest rate instruments. At 31 December 2018, if the interest rate had been 50 basis points (2017: 50 basis points) higher/lower, the Group's profit after tax would decrease/increase by HK$767,000 (2017: decrease/increase by HK$20,891,000).

The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Other price risk

The Group is exposed to other price changes arising from certain financial investments.

At 31 December 2018, if the relevant stock price and quoted price had been 50 basis points (2017: 50 basis points) higher/lower with all other variables held constant, the Group's profit after tax and other comprehensive income would have been approximately increased/decreased by HK$11,413,000 (2017: HK$76,520,000) and HK$nil (2017: HK$21,851,000) respectively.

Notes to the Consolidated Financial Statements

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Apart from equity investments at FVTOCI, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Board of Directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group reviews the recoverable amount of receivables including the finance lease receivables, loan and debt instruments, contract assets and trade and other receivables at the end of each reporting period to ensure that adequate impairment provision for losses are made for expected credit losses.

In respect of loan and debt instruments and finance lease receivables, the Group assessed the credit quality and defined limits for each lessee and borrower before accepting any new finance lease and loan. In addition, the Group also monitored the repayment history of finance lease payments and loan and debts interest payments from each lessee and borrower with reference to the repayment schedule from the date of advances was initially granted up to the reporting date to determine the recoverability of the finance lease receivables and loan debt instruments.

Bank balances and cash and deposits in other financial institutions are placed with various authorised institutions. Accordingly, the Directors of the Company consider the credit risk on liquid funds is limited because the Group mainly transacts with banks and financial institutions with high credit ratings assigned by international credit-ratings agencies.

The Group has performed credit screening procedure for any decision of investments in unlisted convertible bonds and listed debt instruments. The credit risk of the issuers of these instruments are monitored by the Group regularly.

The credit risk on amounts due from fellow subsidiaries are limited because these fellow subsidiaries are with strong financial position and being financially supported by the ultimate holding company.

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47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

At 31 December 2018, the Group has concentration of credit risk as 34% (2017: 60%) of total loan and debt instruments and finance lease receivables from the Group's five largest borrowing customers.

Taking no account of collaterals or other credit enhancements, the carrying amount of loan and debt instruments and finance lease receivables best represents the maximum exposure to credit risk, which is as follows:

	2018 HK$'000
Loan and debt instruments	2,837,155
Finance lease receivables	1,451,911

The Group holds collateral or other credit enhancements to mitigate credit risk associated with loan and debt instruments and finance lease receivables. The main types of collateral include land, listed equity, and leased assets such as machinery and equipment. Details are set out in Notes 21 and 22.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral as at 31 December 2018. There was no change in the Group's collateral policy during the year.

The Group requests collateral and guarantees for loan and debt instruments and finance lease receivables. The most relevant indicator of their creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason the valuation of collateral held against such assets is not routinely updated.

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets at amortised cost/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or have past-due amounts less than 30 days	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Substandard	There is evidence indicating the asset is credit-impaired, other than those rated as "doubtful" and "loss"	Lifetime ECL – credit-impaired
Doubtful	There is evidence indicating that the debtor is in significant financial difficulty and the Group has little realistic prospect of recovery	Lifetime ECL – credit-impaired
Loss	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL – credit-impaired

The estimated loss rates for each class of financial assets at amortised cost and other items are estimated based on historical observed default rates over the expected life of the respective class of assets and are adjusted for forward-looking information that is available without undue cost or effort, include macroeconomic data such as gross domestic product growth, consumer price index and producer price index. The identification of internal credit risk grading for individual financial assets at amortised cost and other items is regularly reviewed by management to ensure relevant information about specific assets is updated.

The Group's internal credit risk grading assessment for trade receivables and contract assets is disclosed in below Note (ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised costs, and other items including contract assets and finance lease receivables, which are subject to ECL assessment:

2018	External rating	Internal rating	12-month or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost					
Loan and debt instruments *(Note (iv))*	N/A	Low risk	12-month ECL	2,883,925	2,883,925
Bank balances and cash *(Note (vi))*	Above baa2 (Moody's*)	Low risk	12-month ECL	738,955	738,955
Deposits in other financial institutions *(Note (vi))*	Above baa2 (Moody's*)	Low risk	12-month ECL	139,749	139,749
Trade receivables	N/A	Note (ii)	Lifetime ECL (provision matrix)	95,211	95,211
Other receivables *(Note (iii))*	N/A	Low risk	12-month ECL	79,328	
		Watch list	Lifetime ECL (not credit-impaired)	7,485	
		Substandard	Lifetime ECL (credit-impaired)	1,240	88,053
Amounts due from fellow subsidiaries	N/A	Low risk Note (i)	12-month ECL	3,268	3,268
Rental deposits	N/A	Low risk Note (i)	12-month ECL	28,216	28,216
Other items					
Finance lease receivables *(Note (v))*	N/A	Low risk	12-month ECL	1,276,806	
		Watch list	Lifetime ECL (not credit-impaired)	161,540	
		Substandard	Lifetime ECL (credit-impaired)	88,643	
		Doubtful	Lifetime ECL (credit-impaired)	63,066	1,590,055
Contract assets	N/A	Note (ii)	Lifetime ECL (provision matrix)	131,792	
			Credit-impaired	16,206	147,998

* Moody's credit rating is used.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ No fixed repayment terms HK$'000	Total HK$'000
Amounts due from fellow subsidiaries	–	3,268	3,268
Rental deposits	–	28,216	28,216

(ii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, the Group determines the expected credit losses on these items by using a provision matrix, grouped by debtors' aging.

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers mainly in relation to its financing services and construction operation because these customers have similar loss patterns. The following table provides information about the exposure to credit risk for trade receivables and contract assets, which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Credit-impaired debtors with an aggregate gross carrying amount of HK$16,206,000 as at 31 December 2018 were assessed individually.

Gross carrying amount

	Average loss rate	Trade - receivables HK$'000	Contract assets HK$'000
Less than 2 years	≤ 2%	95,211	126,660
2-3 years	20%	–	747
3-5 years	50%	–	4,385
		95,211	131,792

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

At 31 December 2018, the Group provided HK$17,074,000 impairment allowance for contract assets. The impact of impairment loss under ECL model for trade receivables is immaterial, based on the provision matrix. Impairment allowance of HK$14,630,000 was made on credit-impaired debtors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(ii) (continued)

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018 – As restated	14,362	15,000	29,362
Changes due to contract assets recognised as at 1 January 2018:			
– Transfer to credit-impaired	(5,268)	5,268	–
– Impairment loss reversed *(Note 1)*	(6,887)	(9,771)	(16,658)
– Impairment losses recognised	237	4,133	4,370
At 31 December 2018	**2,444**	**14,630**	**17,074**

Notes:

(1) During the year, the reversal of impairment losses was due to settlement in retention receivables with gross carrying amount of HK$16,118,000 and HK$16,644,000 respectively, for amounts categorised under lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) for ECL measurement.

(2) The impact of loss allowance on new contract assets originated during the year was immaterial.

(iii) The following table shows the reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL* HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018 – As restated	–	246	–	246
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	–	(240)	240	–
– Net impairment losses recognised	–	285	209	494
At 31 December 2018	**–**	**291**	**449**	**740**

* The impact of 12-month ECL on loss allowance, during the year and cumulatively, was immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(iv) The following table shows the reconciliation of loss allowances that has been recognised for loan and debt instruments.

	12-month ECL HK$'000	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2018 – As restated	86,888	–	34,115	121,003
Changes due to financial instruments recognised as at 1 January 2018:				
– Impairment losses reversed *(Note)*	(39,770)	–	(34,042)	(73,812)
New financial assets originated	275	–	–	275
Foreign exchange gains	(623)	–	(73)	(696)
At 31 December 2018	**46,770**	**–**	**–**	**46,770**

Note:

Included in the reversal of impairment losses for amounts categorised under 12-month ECL, amount of HK$14,387,000 was due to settlement in loan and debt instruments with gross carrying amount of HK$1,581,760,000. The remaining reversal of impairment losses for amounts categorised under 12-month ECL of HK$25,383,000 was mainly due to the decrease in credit risk associated with the forthcoming maturity and the improvement of counterparties' internal credit risk assessment.

The reversal of impairment losses for amounts categorised under lifetime ECL (credit-impaired) of HK$34,042,000 was due to settlement in loan and debt instruments with gross carrying amount of HK$239,260,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(v) The following table shows the reconciliation of loss allowances that has been recognised for finance lease receivables.

	12-month ECL HK$'000	Lifetime ECL (not credit-impaired HK$'000	Lifetime ECL (credit-impaired) HK$'000 *Note (6)*	Total HK$'000
At 1 January 2018 – As restated	70,662	–	30,300	100,962
Changes due to finance lease receivables recognised as at 1 January 2018:				
– Transfer to lifetime ECL *(Note (1))*	(4,398)	4,398	–	–
– Impairment losses reversed *(Note (2))*	(18,038)	(632)	(4,151)	(22,821)
– Impairment losses recognised *(Note (3))*	2,309	829	54,680	57,818
New finance lease receivables originated:				
– Impairment losses recognised *(Note (4))*	8,290	–	–	8,290
– Transfer to lifetime ECL *(Note (5))*	(6,468)	6,468	–	–
Foreign exchange gains	(2,492)	(513)	(3,100)	(6,105)
At 31 December 2018	**49,865**	**10,550**	**77,729**	**138,144**

Notes:

(1) Finance lease receivables with a gross carrying amount of HK$76,487,000 was transferred from 12-month ECL to lifetime ECL during the year.

(2) Included in the reversal of impairment losses for amounts categorised under 12-month ECL, amount of HK$17,008,000 was due to settlement in finance lease receivables with gross carrying amount of HK$392,078,000.

The reversal of impairment losses for amounts categorised under lifetime ECL (credit-impaired) of HK$4,151,000 was due to settlement in finance lease receivables with gross carrying amount of HK$25,241,000.

(3) Two lessees have encountered significantly increased financial difficulty with amounts categorised under lifetime ECL (credit-impaired). An additional impairment loss of HK$54,680,000 has been recognised.

(4) The impairment losses recognised was due to new finance lease receivables originated with gross carrying amount of HK$126,040,000 during the year.

(5) New financial leases receivables originated with gross carrying amount of HK$85,053,000 was transferred from 12-month ECL to lifetime ECL during the year.

(6) At 31 December 2018, the net carrying amount of credit-impaired finance lease receivables was HK$73,980,000 and such finance lease receivables was secured by leased assets. In determining the allowances for credit-impaired finance lease receivables, the management of the Group also takes into account the fair value of collateral, the executable settlement plan and restructuring arrangements. In the opinion of the Directors of the Company, the impairment provision for the current year is sufficient.

(vi) The Group considers the impact of impairment loss under ECL model for bank balances and cash and deposits in other financial institutions is immaterial due to it mainly transacts with banks and financial institutions with high credit rating.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings financial assets sold under repurchase agreements and interest-bearing borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The liquidity analysis for the Group's derivative financial instrument, that are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

		Contractual undiscounted cash flow					
	Weighted average interest rate	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	5 years or above HK$'000	Total contractual undiscounted cashflow HK$'000	Carrying amount HK$'000
Non-derivatives financial liabilities							
At 31 December 2018							
Trade and other payables	–	311,775	–	–	–	311,775	311,775
Deposits from finance lease customers	–	1,913	–	35,468	–	37,381	37,381
Obligations under finance leases	3.43%	3,943	3,353	660	–	7,956	7,728
Amounts due to fellow subsidiaries	–	44,840	–	–	–	44,840	44,840
Amount due to an intermediate holding company	–	19	–	–	–	19	19
Amount due to the immediate holding company	–	153,050	–	–	–	153,050	153,050
Amounts due to related parties	–	14,326	–	–	–	14,326	14,326
Financial assets sold under repurchase agreements	3.44%	513,242	–	–	–	513,242	511,853
Interest-bearing borrowings	3.85%	2,480,876	1,020,808	3,445,094	961,940	7,908,718	7,005,835
		3,523,984	1,024,161	3,481,222	961,940	8,991,307	8,086,807
Foreign exchange forward contracts		417	–	–	–	417	417
At 31 December 2017							
Trade and other payables	–	185,325	–	–	–	185,325	185,325
Deposits from finance lease customers	–	–	–	65,455	–	65,455	65,455
Obligations under finance leases	3.52%	7,965	2,906	2,890	–	13,761	13,329
Amounts due to fellow subsidiaries	–	9,085	–	–	–	9,085	9,085
Amount due to an intermediate holding company	–	8,696	–	–	–	8,696	8,696
Amounts due to related parties	–	12,202	–	–	–	12,202	12,202
Interest-bearing borrowings	3.91%	8,431,505	824,760	1,663,804	1,008,857	11,928,926	11,046,580
		8,654,778	827,666	1,732,149	1,008,857	12,223,450	11,340,672
Foreign exchange forward contracts		17,384	–	–	–	17,384	17,384

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Interest-bearing borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. At 31 December 2018, the aggregate undiscounted principal amounts of these interest-bearing borrowings amounted to HK$845,494,000 (2017: HK$6,199,067,000). Taking into account the Group's financial position, the Directors of the Company do not believe that it is probable that the banks/lender will exercise their discretionary rights to demand immediate repayment. The Directors of the Company believe that such interest-bearing borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
Maturity Analysis – Interest-bearing borrowings with a repayment on demand clause based on scheduled repayments:		
At 31 December 2018	**857,690**	**845,494**
At 31 December 2017	6,320,168	6,199,067

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The financial controller of the Company determines the appropriate valuation techniques and inputs for fair value measurements and reports to the board of Directors of the Company semi-annually.

In estimating the fair value, the Group uses market-observable data to the extent it is available. The Group engages third party qualified valuers to perform the valuation for certain financial instruments. The financial controller of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller of the Company reports the findings to the board of Directors of the Company semi-annually to explain the cause of fluctuations in the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

47. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Fair value hierarchy as at 31 December 2018:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTPL	273,376	2,386,417	2,062,259	4,722,052
Financial assets at FVTOCI	–	–	650	650
Total	273,376	2,386,417	2,062,909	4,722,702
Financial liabilities				
Financial liability at FVTPL	–	417	–	417

Fair value hierarchy as at 31 December 2017:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets designated at fair value through profit or loss	–	95,704	1,295,946	1,391,650
AFS	523,387	347,577	3,443,271	4,314,235
Held for trading investments	1,832,826	–	130,190	1,963,016
Total	2,356,213	443,281	4,869,407	7,668,901
Financial liabilities				
Held for trading investment	–	17,384	–	17,384

There were no transfers between Level 1 and Level 2 within the Group during the current year and prior year.

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47. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial assets						
1) Financial investments classified as financial assets at FVTPL	Listed equity securities: 273,376	N/A	Level 1	Note (i)	N/A	N/A
2) Financial investments classified as financial assets at FVTPL	Listed debt instruments: 1,662,879	N/A	Level 2	Note (vii)	N/A	N/A
3) Financial investments classified as financial assets at FVTPL	Unlisted put options: 141,787	N/A	Level 3	Note (v)	Volatility: Ranging from 35.95% to 73.06%	5% increase/decrease in volatility: HK$722,000 HK$(707,000) (31 December 2017: N/A)
4) Financial investments classified as financial assets at FVTPL	Unlisted warrant: 713	N/A	Level 3	Note (v)	Volatility: 45.26%	5% increase/decrease in volatility: HK$87,000/HK$(84,000) (31 December 2017: N/A)
5) Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: 29,445	N/A	Level 2	Note (vii)	N/A	N/A

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For the year ended 31 December 2018

47. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

		Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
6)	Financial investments classified as financial assets at FVTPL	Unlisted convertible bonds: 589,040	N/A	Level 3	Note (iii) and (v)	Volatility: 73.14%	5% increase/decrease in volatility: HK$2,384,000/HK$(2,340,000) (31 December 2017: N/A)
						Discount rate: Ranging from 9.50% to 18.74%	5% increase/decrease in discount rate: HK$(2,550,000)/HK$2,586,000 (31 December 2017: N/A)
7)	Financial investments classified as financial assets at FVTPL	Unlisted asset management plan: 61,816	N/A	Level 2	Note (viii)	N/A	N/A
8)	Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 598,037	N/A	Level 2	Note (ii)	N/A	N/A
9)	Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 1,330,719	N/A	Level 3	Note (iv)	Net asset value	5% increase/decrease in net asset value: HK$66,536,000/ HK$(66,536,000) (31 December 2017: N/A)
10)	Financial investments classified as financial assets at FVTPL	Unlisted equity securities: 34,240	N/A	Level 2	Note (vi)	N/A	N/A
11)	Financial investments classified as financial asset at FVTOCI	Unlisted equity security: 650	N/A	Level 3	Note (iv)	Net asset value	5% increase/decrease in net asset value: HK$32,500/HK$(32,500) (31 December 2017: N/A)

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For the year ended 31 December 2018

47. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
12) Financial investments classified as held for trading investments	N/A	Listed equity securities: 467,919	Level 1	Note (i)	N/A	N/A
13) Financial investments classified as held for trading investments	N/A	Listed debt instruments: 1,364,907	Level 1	Note (i)	N/A	N/A
14) Financial investments classified as held for trading investments	N/A	Unlisted put options: 129,477	Level 3	Note (v)	N/A (31 December 2017: Volatility ranging from 39.73% to 56.50%)	N/A (31 December 2017: 5% increase/decrease in volatility: HK$500,000/(HK$477,000))
15) Financial investments classified as held for trading investments	N/A	Unlisted warrant investment: 713	Level 3	Note (v)	N/A (31 December 2017: Volatility: 45.26%)	N/A (31 December 2017: 5% increase/decrease in volatility: HK$87,000/(HK$84,000))
16) Financial investments designated at FVTPL	N/A	Unlisted fund investments: 95,704	Level 2	Note (ii)	N/A	N/A
17) Financial investments designated at FVTPL	N/A	Unlisted convertible bonds: 639,441	Level 3	Note (iii) and (v)	N/A (31 December 2017: Volatility ranging from 25% to 45.72%)	N/A (31 December 2017: 5% increase/decrease in volatility: HK$1,876,000/(HK$1,729,000))
					N/A (31 December 2017: Discount rate ranging from 9.65% to 22.75%)	N/A (31 December 2017: 5% increase/decrease in discount rate: (HK$2,355,000)/ HK$2,406,000)

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For the year ended 31 December 2018

47. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
18) Financial investments designated at FVTPL	N/A	Unlisted fund investments: 656,505	Level 3	Note (iv)	N/A (31 December 2017: Net asset value)	N/A (31 December 2017: 5% increase/decrease in net asset value: HK$32,825,000/(HK$32,825,000))
19) Financial investments classified as AFS	N/A	Listed debt investments: 523,387	Level 1	Note (i)	N/A	N/A
20) Financial investments classified as AFS	N/A	Unlisted debt investments: 2,404,497	Level 3	Note (iii)	N/A (31 December 2017: Discount rate)	N/A (31 December 2017: 5% increase/decrease in discount rate: (HK$14,655,000)/ HK$14,844,000)
21) Financial investments classified as AFS	N/A	Unlisted equity security: 650	Level 2	Note (vi)	N/A	N/A
22) Financial investments classified as AFS	N/A	Unlisted asset management plan: 346,927	Level 2	Note (vi)	N/A	N/A
23) Financial investments classified as AFS	N/A	Unlisted fund investments: 1,038,774	Level 3	Note (iv)	N/A (31 December 2017: Net asset value)	N/A (31 December 2017: 5% increase/decrease in net asset value: HK$51,939,000/ (HK$51,939,000))

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For the year ended 31 December 2018

47. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurements of financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value as at 31 December 2018 HK$'000	Fair value as at 31 December 2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Increase (decrease) in fair value of financial instruments by reasonable changes in significant inputs
Financial liabilities						
24) Financial liabilities classified as financial assets at FVTPL	Foreign exchange forward contracts: (417)	N/A	Level 2	Note (vii)	N/A	N/A
25) Financial liabilities classified as held for trading investment	N/A	Foreign exchange forward contracts: 17,384	Level 2	Note (vii)	N/A	N/A

Notes:

(i) Quoted bid price in an active market.

(ii) Net asset value of the funds calculated based on the quoted price of underlying investments.

(iii) Discounted cash flow with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of the counterparty.

(iv) The fair value is determined with reference to the net asset value of the unlisted equity and partnership investments which are the deemed resale price of the investments calculated by the external counter-parties. The directors have determined that the reported net asset values represent fair value of these investments.

(v) Binomial option pricing model. The key inputs are exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, dividend yield and discount rate.

(vi) Recent transaction price.

(vii) The fair value was determined with reference to quoted price provided by the brokers/financial institution.

(viii) The fair value is calculated based on the quoted price of underlying investments.

The Directors of the Company consider that the carrying amounts of investments recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

47. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

The reconciliation of the Group's Level 3 fair value measurement of financial assets designated at FVTPL, held for trading investments, financial assets at FVTOCI, AFS and financial assets at FVTPL are as follows:

	2018 HK$'000	2017 HK$'000
Financial assets designated at FVTPL		
At the beginning of the year	**1,295,946**	128,027
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	**(1,295,946)**	–
Purchases during the year	**N/A**	1,149,412
Disposal during the year	**N/A**	–
Fair value gain recognised in profit or losses	**N/A**	18,507
At the end of the year	**N/A**	1,295,946
Held for trading investments		
At the beginning of the year	**130,190**	26,822
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	**(130,190)**	–
Purchases during the year	**N/A**	48,435
Net fair value gain recognised in profit or losses	**N/A**	54,933
At the end of the year	**N/A**	130,190
Financial asset at FVTOCI		
At the beginning of the year	**–**	N/A
Transfer in *(Note (i))*	**650**	N/A
At the end of the year	**650**	N/A

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47. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis: (continued)

The reconciliation of the Group's Level 3 fair value measurement of financial assets designated at FVTPL, held for trading investments, financial assets at FVTOCI, AFS and financial assets at FVTPL are as follows: (continued)

	2018 HK$'000	2017 HK$'000
AFS		
At the beginning of the year	3,443,271	925,033
Reclassified to financial assets at FVTPL on adoption of HKFRS 9	(1,038,774)	–
Reclassified to loan and debt instruments on adoption of HKFRS 9	(2,404,497)	–
Purchases during the year	N/A	2,826,641
Disposals during the year	N/A	(373,940)
Fair value gain recognised in profit or losses	N/A	65,537
At the end of the year	N/A	3,443,271
Financial assets at FVTPL		
At the beginning of the year	–	N/A
Reclassified from held for trading investments on adoption of HKFRS 9	130,190	N/A
Reclassified from financial assets designated at FVTPL on adoption of HKFRS 9	1,295,946	N/A
Reclassified from AFS on adoption of HKFRS 9	1,038,774	N/A
Transfer out *(Note (ii))*	(506,735)	N/A
Purchases during the year	278,686	N/A
Disposals during the year	(154,578)	N/A
Net fair value loss recognised in profit or loss	(28,506)	N/A
Exchange difference	(8,482)	N/A
At the end of the year	2,062,259	N/A

Notes:

(i) The financial asset at FVTOCI was transferred from level 2 into level 3 as there is no recent transaction price during the year.

(ii) The financial assets at FVTPL was transferred from level 3 into level 2 as the change of underlying investment has quoted price.

The total gains or losses for the year included an unrealised loss of HK$23,300,000 relating to level 3 financial assets that are measured at fair value as at 31 December 2018 (2017: a gain of HK$73,400,000). Such fair value gains or losses are included in "Net unrealised (losses) gain on financial investments".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

48. Information about the Statement of Financial Position of the Company

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Plant and equipment		**26,578**	16,325
Amounts due from subsidiaries		**2,913,659**	3,666,607
Investments in subsidiaries		**110,337**	110,337
Rental deposit		**–**	26,953
Total non-current assets		**3,050,574**	3,820,222
Current assets			
Other receivables		**193,585**	46,531
Financial investments		**1,311,629**	–
Amounts due from fellow subsidiaries		**3,189**	95,275
Amount due from the immediate holding company		**–**	2,800
Amounts due from subsidiaries		**3,696,957**	5,839,207
Amounts due from related parties		**79**	26
Bank balances and cash		**503,292**	1,445,698
Total current assets		**5,708,731**	7,429,537
Current liabilities			
Other payables		**233,134**	28,803
Amount due to an intermediate holding company		**19**	8,696
Amount due to an immediate holding company		**124,695**	–
Interest-bearing borrowings		**1,652,237**	6,075,350
Amounts due to subsidiaries		**317,104**	817,958
Amounts due to fellow subsidiaries		**14,822**	–
Total current liabilities		**2,342,011**	6,930,807
Net current assets		**3,366,720**	498,730
Total assets less current liabilities		**6,417,294**	4,318,952
Non-current liabilities			
Interest-bearing borrowings		**4,429,145**	2,345,061
Deferred tax liabilities		**185**	185
Total non-current liabilities		**4,429,330**	2,345,246
Net assets		**1,987,964**	1,973,706
Capital and reserves			
Share capital		**18,160**	18,160
Perpetual capital instruments	*(a)*	**1,329,576**	1,266,333
Reserves	*(a)*	**640,228**	689,213
Total equity		**1,987,964**	1,973,706

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

48. Information about the Statement of Financial Position of the Company (continued)

Notes:

(a) Movements in reserves

	Share premium HK$'000	Capital reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Perpetual capital instruments HK$'000	Total HK$'000
At 1 January 2017	331,860	7,164	(18,297)	–	320,727
Issue of new shares	226,200	–	–	–	226,200
Issue of perpetual capital instruments	–	–	–	1,266,333	1,266,333
Total comprehensive income for the year	–	–	142,286	–	142,286
At 31 December 2017	558,060	7,164	123,989	1,266,333	1,955,546
Total comprehensive (expense) income for the year	–	–	(48,985)	63,243	14,258
At 31 December 2018	**558,060**	**7,164**	**75,004**	**1,329,576**	**1,969,804**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

49. Particulars of Principal Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2018 and 31 December 2017 are as follow:

Name of subsidiaries	Place of incorporation/ operation	Particular of issued capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Directly		Indirectly		
			2018	2017	2018	2017	
Ace Ornate Limited	BVI	Ordinary share of USD1	–	–	100%	100%	Investment holding
Ample Key Investments Limited	BVI	Ordinary share of USD1	–	–	100%	100%	Investment holding
Atlantic Star Global Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Auto Brave Limited	BVI	Ordinary Share of USD1	100%	100%	–	–	Investment holding
Big Thrive Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Bloom Right Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Securities trading and investments
Cherry Plus Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Chun Sing Engineering Company Limited	Hong Kong	Ordinary Share of HK$10,000	–	–	100%	100%	Construction and engineering
Chun Sing Machinery Company Limited	Hong Kong	Ordinary Share of HK$60,000	–	–	100%	100%	Machinery leasing
Clever Robust Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Coastal Star Investments Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Coastal Treasure Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Securities trading and investment
Dazzling Elite Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Ideal Trader Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Jade Coronet Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Star Ace Holdings Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Star Lavish Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Sveta Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

49. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiaries	Place of incorporation/ operation	Particular of issued capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Directly		Indirectly		
			2018	2017	2018	2017	
Unique Rosy Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Wealth Channel Global Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Wise United Holdings Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Unique Rosy Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
華融晟遠（北京）投資有限公司#	PRC	Registered Capital of RMB201,849,000	100%	100%	–	–	Financial service and investment
中聚（深圳）融資租賃有限公司#	PRC	Registered Capital of USD30,000,000	–	–	100%	100%	Investment holding and financial leasing
新余華融晟遠投資有限公司^	PRC	Registered Capital of RMB5,000,000	–	–	100%	100%	Financial advisory service and investment

Notes:

\# registered as wholly-foreign owned enterprises under the PRC law

^ registered as a limited liability company under the PRC law

The table above lists the subsidiaries of the Group which, in the opinion of the Directors of the Company, principally affect the results for the reporting period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the reporting period or at any time during the reporting period.

50. Major Non-Cash Transactions

During the year ended 31 December 2018, the Group entered into finance lease agreements in respect of plant and equipment with a total carrying value at the inception of the leases of approximately HK$2,974,000 (2017: HK$8,848,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

51. Performance Bonds

At 31 December 2018, the Group issued performance bonds of amount HK$65,174,000 (2017: HK$34,479,000) in respect of foundation and substructure construction services contracts through restricted deposit. Restricted deposit pledged to the performance bonds and indemnity provided by related parties in relation to the performance bond are disclosed in Notes 25 and 45 respectively.

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years/periods, as extracted from the published audited consolidated financial statements and as appropriate, is set out below.

	1 January 2018 to 31 December 2018	1 January 2017 to 31 December 2017	1 April 2016 to 31 December 2016	For the year ended 31 March		
				2016	2015	2014
	HK$'000	HK$'000	HK$'000 *(Note)*	HK$'000	HK$'000	HK$'000
Consolidated results						
Revenue	**1,496,102**	909,683	649,921	791,664	808,083	581,431
Profit for the year/period	**72,493**	269,596	155,817	45,536	65,771	56,821
Total comprehensive (expense) income for the year/period attributable to the owners of the Company	**(15,084)**	302,599	152,520	43,536	65,771	56,821

	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016	As at 31 March		
				2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Consolidated assets and liabilities						
Total assets	**10,418,236**	13,906,988	3,605,842	464,893	368,924	288,186
Total liabilities	**(8,202,457)**	(11,544,016)	(3,043,802)	(238,769)	(186,336)	(175,449)
Net assets	**2,215,779**	2,362,972	562,040	226,124	182,588	112,737

Glossary

"AGM"	the annual general meeting of the Company
"Annual Report"	the annual report of the Company for the Year
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Authorised Representative"	the authorised representative of the Company under Rules 3.05 and 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance
"Board"	the board of Directors
"Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"CHIH"	China Huarong International Holdings Limited, a company incorporated in Hong Kong with limited liability (formerly known as Huarong (HK) International Holdings Limited)
"China Huarong"	China Huarong Asset Management Co., Ltd., a company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2799)
"CO_2e"	carbon dioxide equivalent
"Companies Ordinance" or "CO"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Huarong Investment Stock Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2277)
"Company Secretary"	the company secretary of the Company
"Corresponding Year"	the year ended 31 December 2017
"Deloitte"	Deloitte Touche Tohmatsu, the external auditor of the Company
"Director(s)"	director(s) of the Company
"ESG"	environmental, social and governance
"ESG Report"	the ESG report of the Company
"Executive Director(s)"	the executive Director(s)
"GHG"	greenhouse gas
"Group"	the Company and its subsidiaries

Glossary

"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"ICAC"	Independent Commission Against Corruption in Hong Kong
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Non-executive Director(s)"	the non-executive Director(s)
"PRC"	the People's Republic of China which, for the purposes of this Annual Report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"Right Select"	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability and holding approximately 50.99% equity interest of the Company
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with par value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme adopted by the Company on 8 December 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeover Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"US$" or "US Dollars"	United States Dollars, the lawful currency of the United States of America
"Year"	the year ended 31 December 2018
"%"	per cent