華融投資
HUARONG INVESTMENT

ANNUAL REPORT

Internal And External Linkages

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

2017

Contents

Corporate Information

Directors

Executive Directors
Mr. Qin Ling *(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. Qin Ling *(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. Qin Ling
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

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

Legal Advisers as to Hong Kong Laws

Chiu & Partners
40/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 (Singapore) Limited
Industrial and Commercial Bank of China (Asia) Ltd.
China CITIC Bank International Limited
Luso International Banking Limited
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

Stock Code

2277

Website

www.hriv.com.hk

Chairman's Statement

Dear Shareholders,

2017 marked a critical year for the Company, since our business hit its stride and recorded good results while experienced a transition.

During the Year, China Huarong further increased its shareholding in the Company from 27.99% to 50.99% through its indirect wholly-owned subsidiary and became the majority shareholder of the Company. China Huarong's majority shareholding in the Company represents that the Company has been officially embedded in China Huarong as its key subsidiary and another important international investment and financing platform, which erected a milestone for the Company.

The Group recorded a significant growth in the operating results for the Year owing to the business transition and the advantages of the brand and the business synergies of China Huarong. During the Year, the profits increased notably by approximately 73.08% to approximately HK$270 million as compared to the Corresponding Period.

Facing the complicated global environment and intense peer competition, the Company, based on the existing steady business, and continued to explore more business types, innovate business modes and promote partnerships between other industries with financing and investment with financing for a high revenue growth. Our strategic development perfectly handled the impact arising from the global economic uncertainty.

The Group commenced direct investment business and financial services and other related services since September 2016. These businesses became a major source of the Group's profits in just more than a year, accounting for 111.33% of the total profit of the segments in 2017, increased by 27.51% compared to the Corresponding Period. During the Year, the profit of direct investment business segment reached approximately HK$213 million, representing approximately 48.62% of the total profit of the Group; profit of financial services and other related services segments also reached approximately HK$274 million, representing approximately 62.71% of the total profit of the Group. The excellent operating results during the Year demonstrated that the Company's businesses have transformed successfully.

While transforming to investment and financing business, 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 will construct a sturdy comprehensive risk management system on the dimensions of risk management, business inspection, legal compliance, and post-investment operation, in order to prevent the Company from risk exposures during the Year and to secure a healthy development of our businesses.

Chairman's Statement

It is estimated that the financing costs will keep rising in 2018 when currency policies around the globe have tightened; in particular, the interest rate of US Dollars has been in the uptrend. Besides, overseas investment has shrunk. Chinese enterprises' overseas merger and acquisition and investment have been downsized as a result of the PRC government's firm-handed regulations. The Company is still expected to be under substantial pressure from capital cost control and business competition. Under the principles of "making progress while maintaining stability" and "Stability + Innovation", the Company will thoroughly analyse circumstances, sharpen its advantages, explore diversified competitive modes, while improving its self-developing ability to optimise the structures of business, customer, and staff, to cement the core competence and sustainability, and to excel in the comprehensive investment and financing businesses.

Adhering to the idea of "Finance + Industries", the Company will deliver comprehensive financial services to enterprises in 2018. We will seek cooperation and long-term steady strategic alliances with A-listed enterprises with high values among state-backed industries of environmental protection, clean energy, education and health care, and step by step, mold the way in which financing and other industries work and develop together. Moreover, as a proactive response to the "One Belt One Road Initiative" and the building of the Guangdong, Hong Kong and Macau Greater Bay Area, the Company will work with intra-group companies to polish its international businesses by leveraging complementary advantages and harboring the strategy of serving greater China while establishing itself in Hong Kong, Macau, and Taiwan.

Last but not the least, all stakeholders are credited with their constant supports to the Company. In this brand-new year, we are determined to base our contribution to the real economy on risk control and partnerships between other industries and financing and between investment and financing, and will forge our core competence to create sustainable growth values for the country, society, shareholders, customers and staff.

Qin Ling
Chairman

Hong Kong, 13 March 2018

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

During the Year, China Huarong, through its indirect wholly-owned subsidiary, Right Select, increased its shareholding in the Company to 926,042,000 Shares, representing approximately 50.99% (from approximately 27.99%) of the entire issued share capital of the Company and became a controlling shareholder of the Company. Based on the existing construction related business, the Company has actively adopted the strategy of diversified business operation since September 2016. As at the date of the Annual Report, the Group is principally engaged in the following business segments: (i) direct investment; (ii) financial services and others; and (iii) foundation and substructure construction services.

As the Company has changed its financial year end date from 31 March to 31 December, commencing from the financial period ended 31 December 2016, the financial statements of the Company presented herein are those for the whole year ended 31 December 2017 with comparatives based on those for the nine months ended 31 December 2016.

As at 31 December 2017, the total assets of the Group amounted to approximately HK$13,907 million, representing an increase of approximately 285.66% compared with approximately HK$3,606 million as at 31 December 2016, which was mainly due to the drastic increase in relevant segments' total assets followed by the Group's rapid development in 2017 in the business of direct investment and financial services and others.

During the Year when the Group entered accelerating transformation, the revenue of the Group went up to approximately HK$910 million, representing an increase of approximately 40.00% compared to approximately HK$650 million for the Corresponding Period. In addition, during the Year, the net unrealised gain on financial assets and the net realised gain on disposal of investment contributed approximately HK$162 million and approximately HK$105 million (the Corresponding Period: approximately HK$59 million and approximately HK$8 million) to the Group, respectively. The profit of the Group grew rapidly during the Year, the amount of which was up to approximately HK$270 million, representing an increase of approximately HK$114 million, or approximately 73.08%, compared to approximately HK$156 million for the Corresponding Period.

The Group will combine the outstanding talents of the Company with the international financial platform of Hong Kong to expand its customer group in both domestic and overseas markets. The Group will look for different investment opportunities all over the world in order to continue with its rapid yet steady development.

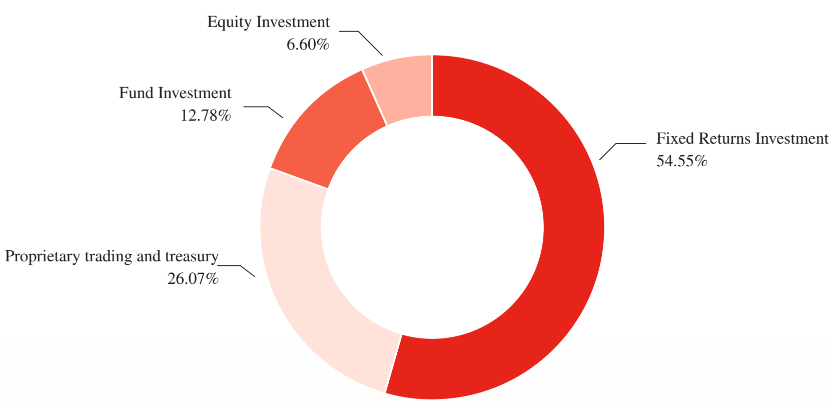
Direct Investment

The Group has commenced the direct investment business since September 2016, and mainly invested in equities, bonds, funds, derivative instruments and other financial products. As at 31 December 2017, the segment assets of direct investment business reached approximately HK$10,063 million (31 December 2016: approximately HK$1,727 million), representing an increase of approximately 482.69% as compared with that of 31 December 2016. During the Year, segment revenues of approximately HK$229 million (the Corresponding Period: approximately HK$93 million) and segment profit of approximately HK$213 million (the Corresponding Period: approximately HK$158 million) were recorded, representing an increase of approximately 146.24% and 34.81%, respectively as compared with that of the Corresponding Period, which accounted for approximately 48.62% (the Corresponding Period: approximately 54.80%) of the total segment profit of the Group.

Management Discussion and Analysis

The direct investment business of the Group is divided into four major categories, namely fixed returns investment, fund investment, equity investment and proprietary trading and treasury. Fixed returns investment mainly represented investment in private bonds, loans, convertible bonds and fixed income funds, which accounting for approximately 54.55% 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 12.78% of the total investment assets. Equity investment accounted for approximately 6.60% 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 26.07% 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 investment may bring potential and remarkable profit to the Group.

Direct Investment Assets (by Investment Categories)



Financial Services and Others

The Group commenced financial services and other related services in September 2016, which mainly includes provision of finance lease services, business consulting 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 services on macro-economic, industry analysis, financial product design and other aspects for customers.

As at 31 December 2017, the segment assets of the business of the financial services and others amounted to approximately HK$1,983 million (31 December 2016: HK$62 million). During the Year, the segment income of approximately HK$377 million (the Corresponding Period: HK$87 million) and the segment profit of approximately HK$274 million (the Corresponding Period: HK$84 million) were recorded, representing an increase of approximately 333.33% and 226.19% as compared with that of the Corresponding Period, which accounted for approximately 62.71% (the Corresponding Period: 29.02%) of the Group's total segment profit.

Management Discussion and Analysis

Significant Investments

As at 31 December 2017, the Group's investment portfolio mainly comprised the following financial assets:

Investment	Stock code	Carrying amount (HK$'000)	Percentage of portfolio	Fair value change during the Year (HK$'000)	Date of relevant announcements
Interest in Edge Venture Partners L.P. (Limited Partnership)	N/A	614,811	5.2%	(2,722)	25 October 2016 1 December 2016
Notes issued by Brighten Path Limited	N/A	423,000	3.6%	–	26 June 2017
Notes issued by Qingdao Zhongrun Hotel Investment Co., Ltd.	N/A	235,546	2.0%	–	31 May 2017
Finance leasing arrangement with Jiangsu Huifeng Wood Co., Ltd.	N/A	215,731	1.8%	–	10 May 2017
Interest in Tianli Private Debt Fund L.P. (Limited Partnership)	N/A	214,829	1.8%	3,313	6 January 2017
Convertible bonds issued by Carnival Group International Holdings Limited	00996.hk	122,441	1.0%	(5,586)	13 September 2016
Net investment in Cogobuy Group	00400.hk	119,886	1.0%	(16,295)	18 November 2016
Finance leasing arrangement with Lhasa Fengdian Photovoltaic Power Generation Co., Ltd.	N/A	174,304	1.5%	–	9 June 2017
Shares in Altonics Holding Limited	00833.hk	104,936	0.9%	40,503	31 October 2016
Finance leasing arrangement with Zhangye Pingshan Lake Wind Power Co., Ltd	N/A	94,218	0.8%	–	4 January 2017
Notes issued by Master Glory Group Limited	00275.hk	398,500	3.4%	–	24 November 2016 23 November 2017
Notes and warrants issued by Zhuguang Holdings Group Company Limited	01176.hk	91,512	0.8%	560	23 September 2016
Interest in Shenzhen China Merchant Huarong Investment Consultancy (Limited Partnership)	N/A	95,704	0.8%	–	19 October 2016
Finance leasing arrangement with Shenzhen Yestock Automobile Service Co., Ltd.	N/A	206,857	1.8%	–	16 March 2017 9 June 2017 21 December 2017
Interest in Leadingchina Creative Fund L.P. (Limited Partnership)	N/A	48,525	0.4%	(1,475)	5 January 2017
Finance leasing arrangement with Heze Shenzhou Environmental Services Co., Ltd.	N/A	129,550	1.2%	–	20 July 2017
Finance leasing arrangement with Anhui Changfeng Cable Group Co., Ltd.	N/A	107,970	0.9%	–	1 August 2017
Subscription of (1) notes; and (2) interest in a Cayman fund	N/A	210,000	1.8%	–	2 August 2017
Investment in Chelsea Manifest Fund	N/A	500,280	4.2%	–	14 August 2017
Finance leasing arrangement with Yanan Xinwoda LNG Co., Ltd.	N/A	395,177	3.4%	–	17 August 2017
Finance leasing arrangement with Youhe Daotong Aviation Co., Ltd.	N/A	448,496	3.8%	–	21 August 2017
Secured convertible bonds issued by Freeman Fintech Corporation Limited	00279.hk	478,000	4.2%	41,000	24 August 2017

Management Discussion and Analysis

Investment	Stock code	Carrying amount (HK$'000)	Percentage of portfolio	Fair value change during the Year (HK$'000)	Date of relevant announcements
Loan arrangement with Qingdao Jiayaohua Real Estate Co., Ltd.	N/A	800,857	6.8%	–	24 August 2017 30 August 2017 28 September 2017
Bonds issued by Intrend Ventures Limited	N/A	450,000	3.8%	–	30 August 2017
Finance leasing arrangement with Lihua Energy Co., Ltd.	N/A	73,431	0.6%	–	15 September 2017
Provision of financial assistance to an independent third party	N/A	492,500	4.2%	–	19 September 2017
Class B shares issued by All-Stars Fund	N/A	156,225	1.3%	–	29 September 2017
Notes issued by an independent third party	N/A	486,991	4.1%	–	18 October 2017
(1) Acquisition of Sale CDIs; (2) Subscription of Subscription CDIs; and (3) Subscription of Convertible Notes	ASX:RTE	165,191	1.4%	49,760	9 November 2017
Notes issued by Mercury Union Limited	N/A	234,506	2.0%	–	21 November 2017
Entered into an Asset Management Agreement with China Merchants Wealth Asset Management Co. Ltd.	002142	346,927	2.9%	–	8 December 2017
Provision of financial assistance to an independent third party	N/A	344,750	2.9%	–	11 December 2017
Finance leasing arrangement with Anhui Pacific Cable Group Co., Ltd.	N/A	27,088	0.2%	–	27 December 2017
Bonds issued by Superactive Group Company Limited	0176.hk	300,000	2.5%	–	29 December 2017
Others		2,478,719	21.0%	55,621	
		11,787,458	100%	164,679	

On 21 June 2017, the Group entered into a deed of sale and purchase with Sino Ally Holdings Limited ("**Sino Ally**"), pursuant to which the Group agreed to sell and Sino Ally agreed to purchase the limited partnership interest of US$40.0 million (equivalent to approximately HK$312.0 million) in Jumbo Sheen Fund No. 1 LP at a consideration of US$47.85 million (equivalent to approximately HK$373.2 million). There is a gain of US$7.85 million (equivalent to approximately HK$61.2 million) from such disposal. The transaction constituted a discloseable transaction for the Company. Details of the transaction are disclosed in the Company's announcement dated 21 June 2017.

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 2017, the segment assets of foundation and substructure construction services amounted to approximately HK$231 million (31 December 2016: approximately HK$347 million). During the Year, the segment income of approximately HK$304 million (the Corresponding Period: approximately HK$470 million) and the segment loss of approximately HK$50 million (the Corresponding Period: segment profit of approximately HK$47 million) were recorded. The loss during the Year was mainly due to the keen peer competition and a steep drop of the total amount of projects entered into. The Group will continue to pay attention to the development of relevant foundation and substructure construction services, and research on its development trend to win long-term benefit for the Group.

Management Discussion and Analysis

OUTLOOK

In 2017, China Huarong became the indirect controlling shareholder of the Group. In 2018, on the basis of steady development of existing businesses, the Group will continue to expand its business varieties and be innovative to business models by actively promoting the combination of industry and finance, as well as the investment and finance, and adhering to the development concept of "finance + industry" to provide enterprises with comprehensive financial services.

Fully leveraging the advantages of the brand, financial resources, synergy and comprehensive financial services of China Huarong, the Group is able to lay solid foundation in Hong Kong, Macau and Taiwan, and at the same time, to serve the Greater China. Based on the industries of environmental protection, clean energy, education and health care supported and encouraged by the state, the Group will seek and explore value-based enterprises with great strength and excellent quality in such industries to establish a long-term and stable strategic cooperative partnership and to gradually form the business model of close combination of finance and industry and common development. In the meantime, the Group will continue to coincide with the development strategy of the state, "One-Belt-One-Road Initiative", and coincide with the construction of Guangdong, Hong Kong, and Macau Greater Bay Area to strengthen the integration of resources among the intra-group companies, complement each other's advantages, keep constant synergetic development, and strengthen international business.

While expanding its business, the Group will continue to strengthen its corporate governance and risk prevention and control mechanisms to improve the overall system management and achieve the rapid and steady growth and development of the Group.

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group as at 31 December 2017 were approximately HK$11,047 million (31 December 2016: HK$2,736 million). As at 31 December 2017, the secured interest borrowings were approximately HK$2,300 million. The secured borrowings consist of (a) bank loans of HK$813 million, secured by a deposit of which the carrying amount is US$122 million (equivalent to HK$954 million); (b) bank loan of HK$50 million, secured by a finance lease receivable; and (c) bank borrowings and bank overdrafts of HK$1,437 million, secured by debt investments of which the carrying amounts are equivalent to HK$2,243 million.

The finance leases are repayable within 4 years (31 December 2016: within 4 years). Finance leases facilities were secured by the Group's machinery and motor vehicles with an aggregated net book value of approximately HK$19 million and HK$3 million as at 31 December 2017 (31 December 2016: HK$18 million and HK$4 million) respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2017, the Group's bank balances and cash (including deposits in other financial institutions) are approximately HK$1,653 million (31 December 2016: HK$1,483 million). The Group manages its capital structure to finance its overall operation and growth by using different sources of funds. During the Year, 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 2017 (defined as total interest-bearing liabilities divided by the Group's total equity) was approximately 4.7 (31 December 2016: 4.9).

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 US Dollars, Hong Kong Dollars and RMB. As the US 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 investment. The Group will keep monitoring our exposure to foreign exchange fluctuations carefully and may introduce appropriate hedging measures if necessary.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2017 (31 December 2016: Nil).

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017 (31 December 2016: Nil).

EVENTS AFTER THE YEAR

On 16 January 2018, the Group entered into a subscription agreement with All-Stars General Partner I Limited, pursuant to which the Group agreed to subscribe for the limited partnership interest of All-Stars Investment Private Partners Fund L.P. and committed to contribute US$30 million (equivalent to approximately HK$234 million) into the abovementioned fund. The transaction constituted a discloseable transaction for the Company. Details of the transaction are disclosed in the Company's announcement dated 16 January 2018. As at the date of this Annual Report, the Group has contributed approximately US$3 million in terms of the commitment.

Management Discussion and Analysis

IMPORTANT EVENTS

Increase in shareholding by Right Select, an indirect subsidiary of China Huarong

On 6 January 2017, the Group entered into a subscription agreement with its substantial shareholder, Right Select, where the Group has conditionally agreed to allot and issue, and Right Select has conditionally agreed to subscribe for 580,000,000 Shares in cash at a subscription price of HK$0.40 per Share. The subscription was completed on 28 February 2017. Immediately after the subscription, Right Select went through the general offer process as required under the Takeover Code, and acquired 42,000 Shares from the public. As at the date of this Annual Report, Right Select was interested in a total of 926,042,000 Shares, representing approximately 50.99% of the entire issued share capital of the Company and became the controlling shareholder of the Company. The net proceeds of the subscription are approximately HK$230.81 million and the net price of each subscription share is approximately HK$0.398. The actual use of proceeds from the subscription has been used as intended, of which 20% of the net proceeds have been used as working capital of the Group and the remaining net proceeds have been used for financing projects of the Group involving direct investment, financial services and others. Please refer to the Company's announcements dated 12 January 2017 and 28 February 2017 for further information.

EMPLOYEES INFORMATION

As at 31 December 2017, the Group had 248 staff (31 December 2016: 258). The total staff costs incurred by the Group for the Year were approximately HK$115,762,000 (31 December 2016: HK$132,849,000).

The salary and benefit levels of the employees of the Group are competitive. The Group is now expanding its direct investment 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 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 for the Year (31 December 2016: 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 pages 3 to 4 and Management Discussion and Analysis on pages 5 to 11 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Chairman's Statement on pages 3 to 4, the Management Discussion and Analysis on pages 5 to 11, 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 5 to 11 of this Annual Report. A discussion of the Group's environmental policies and performance is provided in the ESG Report on pages 40 to 51 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 40 to 51 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 58 of this Annual Report. The Board did not declare an interim dividend for the six months ended 30 June 2017 (the six months ended 30 September 2016: nil). The Board does not recommend the payment of a final dividend for the Year (the Corresponding Period: nil).

Property, Plant and Equipment

Details of changes in the property, plant and equipment of the Group during the Year are set out in note 18 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 134 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.

On 6 January 2017, the Group entered into a subscription agreement with its substantial shareholder, Right Select, where the Group has conditionally agreed to allot and issue, and Right Select has conditionally agreed to subscribe for 580,000,000 Shares in cash at a subscription price of HK$0.40 per Share. The subscription was completed on 28 February 2017. Immediately after the subscription, Right Select went through the general offer process as required under the Takeover Code, and acquired 42,000 Shares from the public. As at the date of this Annual Report, Right Select was interested in a total of 926,042,000 Shares, representing approximately 50.99% of the entire issued share capital of the Company and became the controlling shareholder of the Company. The net proceeds of the subscription are approximately HK$230.81 million and the net price of each subscription share is approximately HK$0.398. The actual use of proceeds from the subscription has been used as intended, of which 20% of the net proceeds have been used as working capital of the Group and the remaining net proceeds have been used for financing projects of the Group involving direct investments, financial services and others. Please refer to the Company's announcements dated 12 January 2017 and 28 February 2017 respectively for further information.

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 61 to 62 of this Annual Report.

As at 31 December 2017, the Group had reserves amounted to approximately HK$1,112 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$693,000.

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 six 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 2017. 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. Qin Ling *(Chairman)*
Mr. Zhang Fan (Appointed on 13 March 2018)
Mr. Yeung Chun Wai Anthony *(Ex-Vice Chairman)* (Resigned on 11 December 2017)
Mr. Xu Xiaowu *(Ex-Chief Executive Officer)* (Resigned on 13 March 2018)
Mr. Liu Xiguang (Appointed on 26 May 2017)
Mr. Kwan Wai Ming
Dr. Niu Shaofeng (Appointed on 31 October 2017 and resigned on 11 December 2017)
Mr. Tian Ren Can (Resigned on 13 April 2017)
Ms. Lin Changhua (Resigned on 31 October 2017)

Non-Executive Director

Ms. Lin Xueqin (Appointed on 13 September 2017)
Mr. Wu Qinghua (Resigned on 13 September 2017)

Independent Non-Executive Directors

Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G. (Appointed on 13 September 2017)
Dr. Fang Fuqian (Appointed on 31 October 2017)
Mr. Wu Tak Lung (Resigned on 13 September 2017)
Mr. Zhang Xiaoman (Resigned on 11 December 2017)

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 13 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 2017, 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.

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 2017, 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 2017, the market capitalisation of the listed securities of the Company was approximately HK$2,941,920,000 based on the total number of 1,816,000,000 issued shares of the Company and the closing price of HK$1.62 per share.

Major Customers and Suppliers

The percentages of the Group's purchases and revenue attributable to major suppliers and customers during the Year and period ended 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Percentage of purchase		
From the largest supplier	**26.5%**	18.3%
From the five largest suppliers in aggregate	**68.9%**	48.4%
Percentage of revenue		
From the largest customer	**12.55%**	47.6%
From the five largest customers in aggregate	**28.61%**	77.0%

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 44 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 2017 are set out in note 32 to the consolidated financial statements.

Retirement Benefits Plans

Details of the Group's retirement benefits plans are set out in note 41 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 pages 5 to 11 of this Annual Report.

Disclosure Under Rule 13.21 of the Listing Rules

On 16 June 2017, the Company (as borrower) entered into an uncommitted revolving short term loan facility agreement with a bank of up to an aggregate amount of HK$2,000,000,000 (or its equivalent amount in US Dollars) which is unsecured and be at all times available at the sole and absolute discretion of the bank.

On 29 June 2017, the Company (as borrower) entered into a revolving loan facility agreement with a bank of up to an aggregate amount of US$100,000,000 which is available for 18 months from 29 June 2017 and the maximum term of each drawing is 12 months.

On 16 August 2017, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of HK$500,000,000 (or its equivalent in US Dollars). Such facility is unsecured and be at all times available at the sole and absolute discretion of the bank.

On 7 September 2017, the Company (as borrower) and a syndicate of banks entered into a short tenor term loan facility agreement of HK$2,328,000,000 and US$147,500,000 with greenshore option to increase the facility to not more than HK$5,000,000,000 (or its equivalent to US Dollars). Such facility has a term of 364 days.

On 28 February 2018, the Company (as borrower) signed a revolving loan facility letter with a bank for up to an aggregate amount of US$300,000,000 (or its equivalent in HK Dollars), the exact amount to be drawn should be subject to the bank's approval. The maturity date of such facility shall be at the earlier of (i) the bank's prevailing annual review date; or (ii) 12 months after the date of the facility letter.

For each of the abovementioned agreements, China Huarong has issued a letter of comfort to the relevant bank to undertake that as long as each of the abovementioned agreements remains outstanding, China Huarong shall remain as the controlling 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. Please refer to the Company's announcements dated 22 June 2017, 30 June 2017, 16 August 2017, 7 September 2017 and 28 February 2018 for further details.

Report of the Directors

Closure of Register of Members

The register of members of the Company for the AGM will be closed from 18 May 2018 to 24 May 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance at the AGM to be held on 24 May 2018, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 17 May 2018.

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. A resolution will be submitted to the forecoming AGM to re-appoint the auditor, Deloitte.

On behalf of the Board

Qin Ling
Chairman

Hong Kong, 13 March 2018

Biographies of the Directors & Senior Management

Executive Directors

Mr. Qin Ling (Chairman)

QIN Ling (秦岭), aged 39, was an Executive Director and the Chairman of the Board, the Chairman of the Nomination Committee and a member of the Risk Management Committee. Mr. Qin joined the Company in June 2016 as a Non-executive Director 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. Qin also serves as a director of certain of the subsidiaries of the Company. Mr. Qin has possessed over 16 years of experience in finance. Mr. Qin was the chief executive officer of CHIH from October 2015 to July 2016. He was the chief executive officer of ABC International Holdings Limited from February 2011 to October 2015. Prior to this, Mr. Qin had worked in a number of financial institutions. Mr. Qin obtained a doctoral degree from Renmin University of China.

Mr. Zhang Fan

ZHANG Fan (張帆), aged 37, is an Executive Director and the Deputy Chief Executive Officer, a member of each of the Remuneration Committee and the Risk Management Committee. 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. He also served as a director of certain wholly-owned subsidiaries of the Company. During the period from March 2016 to August 2016, Mr. Zhang has served as the Chief Investment Officer of CHIH. Mr. Zhang also served as the director of Right Select from May 2016 to February 2018. Mr. Zhang possesses over 10 years of practical management experience in both domestic and overseas capital markets. Prior to joining CHIH, Mr. Zhang has previously served in various positions in several well-known domestic and overseas organisation, including ABCI Capital Limited, CITIC Securities Co., Ltd., UBS Securities Co. Limited and the Ministry of Foreign Affairs of the PRC.

Mr. Liu Xiguang

LIU Xiguang (劉錫光), aged 55, is an Executive Director and the Deputy Chief Executive Officer, the Chief Risk Officer and the chairman of the Risk Management Committee. Mr. Liu joined the Company in May 2017. He is responsible for overseeing of the risk management department and the operation management 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

KWAN Wai Ming (關偉明), aged 59, is an Executive Director. Mr. Kwan joined the Group in April 2001. Mr. Kwan is 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' 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 a quantity surveyor in Henderson Real Estate Agency Limited from April 1984 to September 1988. He worked as a 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, the shares of which are listed on the Main Board of the Stock Exchange (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

LIN Xueqin (林學勤), aged 54, is a Non-executive Director and a member of the Risk Management Committee. Ms. Lin joined the Company in September 2017. She has worked in China Huarong since March 2000, 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 (formerly known as Jiangxi University) in July 1985 and a master's degree in economics from University of International Business and Economics in June 2006.

* *for identification purposes only*

Biographies of the Directors & Senior Management

Independent Non-executive Directors

Mr. Chan Kee Huen Michael

CHAN Kee Huen Michael (陳記煊), aged 66, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and Remuneration Committee. Mr. Chan joined the Company in June 2016. Mr. Chan has been 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 K.H. Group Holdings Limited (stock code: 1557) since February 2016, and an independent non-executive director of Lansen Pharmaceutical Holdings Limited (stock code: 503) since April 2010, the shares of all of which are listed on the Main Board of the Stock Exchange in Hong Kong. Mr. Chan has over 35 years' 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

TSE Chi Wai (謝志偉), aged 50, is an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of each of the Audit Committee and Nomination Committee. 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), Chong Kin Group Holdings Limited (stock code: 1609) 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.

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; and (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.

LAM Lee G. (林家禮), aged 58, is an Independent Non-executive Director, a member of each of the Nomination Committee and the Risk Management Committee. 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 Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory 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 Belt and Road Committee of the Hong Kong Trade Development Council, a member of 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 Honorary 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 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' international experience in corporate management, strategy 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 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 known 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 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, which is also listed on the Shanghai Stock Exchange with stock code: 600837), Xi'an Haitiantian Holdings Co., Ltd. (stock code: 8227, formerly known as Xi'an Haitian Antenna Holdings Co., Ltd, China Shandong Hi-Speed Financial Group Limited (stock code: 412), Hua Long Jin Kong Company Limited (stock code: 1682, formerly known as Highlight China IoT International Limited), and Kidsland International Holdings Limited (stock code: 2122); and a non-executive director of each of China LNG Group Limited (stock code: 931), Sunwah Kingsway Capital Holdings Limited (stock code: 188), 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. He is an independent non-executive director of each of Asia-Pacific Strategic Investments Limited (stock code: 5RA), Rowsley Limited (stock code: A50), Top Global Limited (stock code: 519), and Singapore e-Development Limited (stock code: 40V) the shares of all of which are listed on the Singapore Exchange. Dr. Lam is also an independent director of Sunwah International Limited (stock code: SWH), the shares of which are listed on the Toronto Stock Exchange; an independent non-executive director of Vietnam Equity Holding (stock code: 3MS), the shares of which are listed on the Stuttgart Stock Exchange; an independent non-executive director of AustChina Holdings Limited (stock code: AUH), the shares of which are listed on the Australian Securities Exchange; and a non-executive director of Adamas Finance Asia Limited (stock code: ADAM), the shares of which are listed on the London Stock Exchange.

Dr. Lam was a non-executive director of DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (stock code: 620) and ZH International Holdings Limited (formerly known as Heng Fai Enterprises Limited) (stock code: 185), the shares of all of which are listed on the Stock Exchange. Dr. Lam was also an independent non-executive director of Imagi International Holdings Limited (stock code: 585), Roma Group Limited (stock code: 8072) and Mingyuan Medicare Development Company Limited (stock code: 233), the shares of all of which are listed on the Stock Exchange.

During the period between July 2014 and March 2015, Dr. Lam also served as an independent non-executive director of Ruifeng Petroleum Chemical Holdings Limited ("**Ruifeng Petroleum**"), a company incorporated in the Cayman Islands, the shares of which were listed on the Stock Exchange and delisted on 6 February 2017. It was previously engaged in the petrochemical business. A winding-up petition was served on Ruifeng Petroleum on 12 August 2015 due to failure to pay a judgment debt relating to an outstanding amount of a promissory note issued by Ruifeng Petroleum in 2011. On 16 November 2015, Ruifeng Petroleum was wound up by the High Court of Hong Kong. Dr. Lam has confirmed that Ruifeng Petroleum was solvent when he was an independent non-executive director, and that at the time when the listing of Ruifeng Petroleum's shares was cancelled and at the date of this Annual Report, no claims have been made against him and he was not aware of any threatened or potential claim against him and there are no outstanding claims and/or liabilities as a result of Ruifeng Petroleum's dissolution.

Biographies of the Directors & Senior Management

Dr. Fang Fuqian

FANG Fuqian (方福前), aged 63, is an Independent Non-executive Director, a member of each of the Audit Committee and the Nomination Committee. 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' experience in researching macroeconomic theory and policies 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 non-executive director of Anhui Wanwei Updated High-tech Material Industry Co., Ltd. (listed on the Shanghai Stock Exchange with stock code: 600063) and Hefei Department Store Group Co., Ltd (listed on the Shenzhen Stock Exchange with stock code: 000417). 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.

Senior Management

Mr. Xu Xiaowu

XU Xiaowu (徐曉武), aged 47, 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 March 2018. Mr. Xu also serves as a director of certain of the subsidiaries 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 with 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

CHEN Qinghua (陳慶華), aged 38, 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 and merger and acquisition financing 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.

Biographies of the Directors & Senior Management

Mr. Gong Zongfan

GONG Zongfan (宮宗藩), aged 40, is the Deputy Chief Executive Officer of the Company. Mr. Gong joined the Company in October 2016. He is responsible for overseeing the management of the structural investment department and capital market department of the Company. Mr. Gong also serves as a director of certain of the subsidiaries of the Company. Mr. Gong has an MBA degree and a master's degree in professional accounting. He has served in various positions including chief operating officer of China Great Wall AMC (International) Holdings Company Limited, vice president of ABC International Holdings Limited, general manager and assistant to the chairman of the Board of GEV Investments (Hong Kong) Limited, director of Landsbanki (a European investment bank), and an auditor of PricewaterhouseCoopers Hong Kong.

Ms. Wang Yanping

WANG Yanping (王燕屏), aged 48, 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 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).

Mr. Leung Chin Wan

LEUNG Chin Wan (梁展宏), aged 36, is the Company Secretary, Authorised Representative and Co-head of the finance department of the Company. Mr. Leung joined the Company in April 2017. He is responsible for the overall financial planning and management, accounting and company secretarial matters of the Group. He obtained a Bachelor degree in Business Administration in Accounting and Finance from the University of Hong Kong and has over 10 years' experience in external auditing, accounting and finance, internal control and compliance. Mr. Leung is a member of Hong Kong Institute of Certified Public Accountants.

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. Wu Qinghua, a former Non-executive Director who resigned on 13 September 2017, and Mr. Chan Kee Huen Michael, an Independent Non-executive Director, did not attend the extraordinary general meeting of the Company held on 22 February 2017 while Mr. Kwan Wai Ming, an Executive Director, and Mr. Wu Qinghua did not attend the AGM held on 25 May 2017 as well.

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 current composition of the Board is set out as follows:

Executive Directors
Mr. Qin Ling *(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

The biographical details of the Directors are set out in the section of "Biographies of Directors and Senior Management" on pages 21 to 28 of this Annual 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 Meetings
Executive Directors						
Mr. Qin Ling *(Chairman)*	14/22	N/A	2/3	N/A	1/1	2/2
Mr. Yeung Chun Wai Anthony *(Ex-Vice Chairman)* (Resigned on 11 December 2017)	12/21	N/A	2/4	N/A	N/A	2/2
Mr. Xu Xiaowu *(Ex-Chief Executive Officer)* (Resigned on 13 March 2018)	22/22	N/A	N/A	3/3	1/1	2/2
Mr. Liu Xiguang (Appointed on 26 May 2017)	14/14	N/A	N/A	N/A	1/1	N/A
Mr. Kwan Wai Ming	3/22	N/A	N/A	0/1	N/A	1/2
Dr. Niu Shaofeng (Appointed on 31 October 2017 and resigned on 11 December 2017)	0/2	N/A	N/A	N/A	N/A	N/A
Mr. Tian Ren Can (Resigned on 13 April 2017)	6/6	N/A	N/A	N/A	N/A	1/1
Ms. Lin Changhua (Resigned on 31 October 2017)	9/19	N/A	N/A	N/A	N/A	2/2
Non-Executive Directors						
Ms. Lin Xueqin (Appointed on 13 September 2017)	1/6	N/A	N/A	N/A	0/1	N/A
Mr. Wu Qinghua (Resigned on 13 September 2017)	7/16	N/A	N/A	N/A	N/A	0/2
Independent Non-Executive Directors						
Mr. Chan Kee Huen Michael	14/22	3/3	3/4	3/4	N/A	1/2
Mr. Tse Chi Wai	21/22	3/3	4/4	4/4	N/A	2/2
Dr. Lam Lee G. (Appointed on 13 September 2017)	6/6	N/A	1/1	N/A	1/1	N/A
Dr. Fang Fuqian (Appointed on 31 October 2017)	3/3	N/A	N/A	N/A	N/A	N/A
Mr. Wu Tak Lung (Resigned on 13 September 2017)	11/16	N/A	2/2	N/A	N/A	2/2
Mr. Zhang Xiaoman (Resigned on 11 December 2017)	11/21	3/3	N/A	N/A	N/A	2/2

Corporate Governance Report

(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.

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.

Corporate Governance Report

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.

During the Year, the Company arranged seminars covering updates on directors and senior management integrity and inside information disclosure. 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. Qin Ling *(Chairman)*	✓
Mr. Yeung Chun Wai Anthony *(Ex-Vice Chairman)* (Resigned on 11 December 2017)	✓
Mr. Xu Xiaowu *(Ex-Chief Executive Officer)* (Resigned on 13 March 2018)	✓
Mr. Liu Xiguang (Appointed on 26 May 2017)	✓
Mr. Kwan Wai Ming	✓
Dr. Niu Shaofeng (Appointed on 31 October 2017 and resigned on 11 December 2017)	✓
Mr. Tian Ren Can (Resigned on 13 April 2017)	✓
Ms. Lin Changhua (Resigned on 31 October 2017)	✓
Non-Executive Directors	
Ms. Lin Xueqin (Appointed on 13 September 2017)	✓
Mr. Wu Qinghua (Resigned on 13 September 2017)	✓
Independent Non-Executive Directors	
Mr. Chan Kee Huen Michael	✓
Mr. Tse Chi Wai	✓
Dr. Lam Lee G. (Appointed on 13 September 2017)	✓
Dr. Fang Fuqian (Appointed on 31 October 2017)	✓
Mr. Wu Tak Lung (Resigned on 13 September 2017)	✓
Mr. Zhang Xiaoman (Resigned on 11 December 2017)	✓

Corporate Governance Report

Chairman and Chief Executive

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

Mr. Qin Ling 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 Directors is appointed for a term of three years, and the appointments are 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 Board committees, including the Audit Committee, Nomination Committee, Remuneration Committee and 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.

(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 is chaired by Mr. Chan Kee Huen Michael, with two other members namely Mr. Tse Chi Wai and Dr. Fang Fuqian. Dr. Fang Fuqian was appointed as a member of the Audit Committee and Mr. Zhang Xiaoman resigned as a member of the Audit Committee on 11 December 2017. 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.

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.

Corporate Governance Report

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 is chaired by Mr. Qin Ling (Executive Director and Chairman of the Board), the Chairman, with four other members, of which all of them are Independent Non-executive Directors namely Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai, Dr. Lam Lee G. and Dr. Fang Fuqian.

Mr. Yeung Chun Wai Anthony ceased to be the Chairman and a member of the Nomination Committee on 13 March 2017 and 11 December 2017 respectively. Mr. Qing Ling was appointed as the Chairman of the Nomination Committee on 13 March 2017. Mr. Wu Tak Lung was appointed and resigned as a member of the Nomination Committee on 13 March 2017 and 13 September 2017 respectively. Dr. Lam Lee G. and Dr. Fang Fuqian were appointed as members of the Nomination Committee on 13 September 2017 and 11 December 2017 respectively.

During the Year, the Nomination Committee held four 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. 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.

Corporate Governance Report

(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. Mr. Xu Xiaowu was appointed as a member of the Remuneration Committee following the resignation of Mr. Kwan Wai Ming as a member of the Remuneration Committee on 13 April 2017. On 13 March 2018, Mr. Xu Xiaowu resigned and Mr. Zhang Fan was appointed as a member of the Remuneration Committee. 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 four 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 and letters of appointment.

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 13 and 14 to the consolidated financial statements.

(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 is chaired by Mr. Liu Xiguang, being an Executive Director and the Chief Risk Officer of the Company, with four other members, namely Mr. Qin Ling (Executive Director), Mr. Zhang Fan (Executive Director), Ms. Lin Xueqin (Non-executive Director) and Dr. Lam Lee G. (Independent Non-executive Director).

On 13 April 2017, Mr. Qin Ling was appointed as the chairman and Mr. Xu Xiaowu and Mr. Wu Tak Lung were appointed as members of the of the Risk Management Committee. Mr. Liu Xiguang and Mr. Wu Qinghua were appointed as members of the Risk Management Committee on 26 May 2017. Ms. Lin Xueqin and Dr. Lam Lee G. were appoint as members, while Mr. Wu Qinghua and Mr. Wu Tak Lung were resigned as members of the Risk Management Committee on 13 September 2017. Mr. Qin Ling was re-designated as a member and Mr. Liu Xiguang was appointed as the chairman of the Risk Management Committee on 11 December 2017. Mr. Zhang Fan was appointed as a member of the Risk Management Committee following the resignation of Mr. Xu Xiaowu as a Director and a member of the Risk Management Committee on 13 March 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.

Corporate Governance Report

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 board diversity policy during the Year, 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.

Auditor's Remuneration

For the year ended 31 December 2017, 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:

	2017 HK$
Services rendered for the Group	
Audit Services	**2,200,000**
Interim Results Review	**600,000**
Non-Audit Services (include taxation and other professional services)	**280,000**
Total Fees	**3,080,000**

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

Corporate Governance 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, 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.

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.

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.

Corporate Governance Report

The risk 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.

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".

Corporate Governance Report

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. About this Report

Being one of the prominent brands in the finance industry in Hong Kong and the PRC, the Group stringently adhere to their environmental and social responsibilities.

The Group has developed its sustainability strategy with aims to continue to lower the Group's impact on the environment. With the goal to carry out sustainability strategy from top to bottom, the Group has established dedicated teams to manage the ESG related issues. The Group is committed to constantly reviewing and adjusting its sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of the Group's management approach in both the environmental and social aspect can be found throughout different sections of this ESG Report. The Group believes sustainability is essential to the development of the Group's overall long-term success.

II. Reporting Period and Scope of the Report

This Report covers the environmental and social performance within the operational boundaries of the Group that includes the business of (i) investment business (including the direct investment, and financial services and others) in Hong Kong, Shenzhen, and Beijing; and (ii) the foundation and substructure construction services in Hong Kong. The reporting period is the Group's financial year from 1 January 2017 to 31 December 2017. The ESG Report is prepared in both Chinese and English, and it has been uploaded to the Group's website at www.hriv.com.hk as part of this Annual Report.

Environmental, Social and Governance

III. Stakeholder Engagement

The Group highly values feedback from its stakeholders. The Group is able to build a trustful and supporting relationship with its stakeholders through their preferred communication channels listed in the table below.

Table 1 Communication with Stakeholders

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Support economic development	– Supervision on complying with local laws and regulations – Routing reports and taxes paid
Shareholders	– Return on investments – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' compensation and benefits – Career development – Health and safety in the working environment	– Performance reviews – Regular meetings and trainings – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – 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	– Open tendering – Suppliers' satisfactory assessment – Face-to-face meetings and on-site visits – Industry seminars
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Face-to-face interview

Materiality Assessment

The Group selected internal and external stakeholders to conduct a materiality assessment survey based on their influence and dependence on the Group. The selected stakeholders were then invited to express their views and concerns on a list of sustainability issues through an online survey. This assessment has helped the Group in prioritising its sustainability issues and highlighting the material and relevant aspects which align them with stakeholders' expectations. The Group has identified occupational health and safety, information disclosure, and protection of consumer information and privacy as issues of highest importance to both the Group and its stakeholders in this ESG Report.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders to share their views with the Group at www.hriv.com.hk.

Environmental, Social and Governance

IV. Environmental Sustainability

The Group is committed to the long-term sustainability of the environment and the community where it operates. The Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in Hong Kong and the PRC, in its daily operation. All offices and construction sites of the Group have implemented effective energy conservation measures to reduce emissions and resource consumption.

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 all relevant local environmental laws set out in Hong Kong and the PRC. During the Year, the Group found no disregard to influential laws relevant to waste gas or GHG emissions, water or land discharging and hazardous or non-hazardous wastes. It has been included in the Group's policy to reduce the impacts of emissions on the environment through measures such as control of the Group's energy consumption.

Investment Business

Emissions for this business segment include GHG emissions from use of gasoline and electricity, and non-hazardous solid waste and wastewater generated by the staffs in the office. The Group does not generate any hazardous waste in the Year.

The main source of GHG emissions for the investment business comes from the use of electricity. Specific measures taken to reduce electricity consumption in the office, and thus GHG emissions from this business segment, are further described in the next subsection under "Electricity".

The Group is committed to environmental protection in its daily operations in the office. In order to reduce the amount of municipal solid waste generated every day, the Group has implemented the following practices:

- Recycle as much solid waste as possible;
- Encourage all employees to reduce the use of disposable items such as plastic tableware; and
- Advocate reusing office stationeries.

Since the amount of wastewater generated highly depends on the amount of water used, the Group has adopted specific measures, further described in the next subsection under "Water", to reduce water consumption. Municipal wastewater is directly discharged into the building sewerage network and handled by the property management of the building.

Environmental, Social and Governance

Table 2 Investment Business Total Emissions in the Year

Emission Category	Item	Unit	Amount	*Intensity (Per employee)
GHG Emissions	Scope 1 (Direct Emission)	Tonnes CO_2e	66.6	–
	Scope 2 (Energy Indirect Emission)	Tonnes CO_2e	120.0	–
	Total (Scope 1 & 2)	Tonnes CO_2e	186.6	1.8
Non-hazardous Waste	Solid Waste	Tonnes	16.9	0.2

* *Intensity = Amount ÷ Investment Business end of year workforce*

Foundation and Substructure Construction Services

The Group is very prudent in controlling all discharges for the foundation and substructure construction services. Any wastewater, solid waste, or noise generated from the foundation and substructure construction services must meet the emission standards as stipulated by the Hong Kong Environmental Department before discharge.

Air & GHG Emissions

Air and GHG emissions for the foundation and substructure construction services come from the use of gasoline, diesel and electricity to power machineries and heavy vehicles for operation and transportation purposes. The Group has set up internal policies, further described in the next subsections under "Electricity" and "Energy", to reduce the air and GHG emissions.

Wastewater

The foundation and substructure construction services generate domestic wastewater, which is directly discharged into the sewer, and muddy water from the construction process. To lower the wastewater impact on the environment, temporary wastewater treatment facilities would be set up to treat the muddy water when necessary. The Group is committed to maximising the usage efficiency of water resources at all stages.

Solid Wastes

The foundation and substructure construction services generate a lot of excess mud in its daily operation. The Group has complied with the Waste Dispose Ordinance when disposing excess mud and other construction wastes. Certified waste collector would transport the construction wastes to specific sites for reuse or disposal.

Noise

Noise is mainly generated from the operation of machineries and equipment during construction. The Group is in strict compliance with the Noise Control Ordinance. The Group only uses certain equipment within the permitted time period. The Group has installed noise reducing facilities to mitigate the effect of noise to the surroundings.

Environmental, Social and Governance

Table 3 Foundation and Substructure Construction Services Total Emissions in the Year

Emission Category	Item	Unit	Amount	*Intensity (Per employee)
GHG Emissions	Scope 1 (Direct Emission)	Tonnes CO_2e	2,072	–
	Scope 2 (Energy Indirect Emission)	Tonnes CO_2e	115	–
	Total (Scope 1 & 2)	Tonnes CO_2e	2,187	15
Non-hazardous Waste	Solid Waste	Tonnes	20,073	137

* *Intensity = Amount ÷ Foundation and Substructure Construction Services end of year workforce*

A.2. Use of Resources

During the Year, resources consumed by the Group were electricity, gasoline, diesel, water, and paper. The Group did not use any packaging materials.

Investment Business

Electricity

The investment business consumes electricity in its offices. The Group has replaced traditional light bulbs with electricity-saving light bulbs in the office as well as educated its employees about energy conservation and emission reduction. The Group reduced electricity consumption in order to reduce GHG emissions indirectly. To ensure effective use of electricity, the Group has conducted the following practices:

- Turn off all lights and electronics in the office at the end of the day;
- Replace high electricity consumption lamps with electricity saving lamps for office lighting;
- Clean office equipment (such as refrigerator, air conditioner, paper shredder) regularly to maintain high efficiency; and
- Modify the set temperature of air conditioners in the offices based on the season.

Energy

The investment business consumes gasoline for its vehicles. The Group is committed to reducing gasoline use for transportation purpose. The Group encourages its employees to take public transports instead of driving to work and make good use of the latest electronic equipment to conduct video or telephone conferences.

Environmental, Social and Governance

Water

The investment business regularly educates its employees to save water in the daily operation. To further improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid further leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage; and
- Require employees to strictly comply with company's watering saving policy.

Paper

The investment business consumes a lot of papers. While the Group has licensed collector to collect and recycle papers, the Group strives to reduce paper produced at source. During the Year, in order to save paper, the Group encouraged its employees to use double sided printing as often as possible and reuse old single-sided paper for printing or as draft paper.

Table 4 Investment Business Total Resource Consumption in the Year

Resource Category	Item	Unit	Amount	*Intensity (Per Employee)
Energy	Electricity	KWh	164,186	1,610
	Gasoline	Litres	28,612	281
Water	Water	m^3	5,420	53
Paper	Paper	Tonnes	7	0.07

* *Intensity = Amount ÷ Investment Business end of year workforce*

Foundation and Substructure Construction Services

The foundation and substructure construction services consume electricity, gasoline, and diesel for construction and transportation purposes. While the amount of energy use at a construction site highly depends on the location, size, and geology of the construction site, the Group is committed to saving energy through simple measures such as turn off equipment after immediate use and ensure vehicles are fully loaded each time. Apart from energy, the Group also consumes water at the construction sites. The Group saves water by ensuring water is being fully utilised before final discharge. The Group recycles water for wheel washing and spraying purposes.

Table 5 Foundation and Substructure Construction Services Total Resource Consumption in the Year

Resource Category	Item	Unit	Amount	**Intensity (Per Employee)
Energy	Electricity	KWh	163,920	1,123
	Gasoline	Litres	30,240	207
	Diesel	Litres	760,575	5,209
Water	Water	m^3	3,382	23

** *Intensity = Amount ÷ Foundation and Substructure Construction Services end of year workforce*

Environmental, Social and Governance

A.3. Environment and Natural Resources

Investment Business

The main impact on the environment from the investment business is the indirect GHG emissions through use of electricity. The Group has taken effective measures to reduce electricity consumption in the office and thus the overall GHG emissions.

Foundation and Substructure Construction Services

The main impact for the foundation and substructure construction services is the direct and indirect GHG emissions. The Group has implemented policies to reduce energy use within the construction site and during the transportation of materials.

V. Social Sustainability

Employment and Labour Practices

B.1. Employment

The Group treasures employees' talent and sees it as the key in driving the success and maintaining the sustainable development of the Group. The Group strives to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.

The human resources policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong and the PRC, mainly the Labour Law of the PRC (中華人民共和國勞動法) and Employment Ordinance (Chapter 57 of The Laws of Hong Kong). At the same time, the Group has also complied with the laws and regulations to provide employees with the basic social insurance schemes (endowment insurance, medical insurance, employment injury insurance, unemployment insurance and maternity) and housing accumulation funds (五險一金). The human resources department of the Group reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

Table 6 Total Workforce of the Group as at 31 December 2017

By Gender (Percentage)	**Investment Business**		**Foundation and Substructure Construction Services**	
Male	59	(58%)	118	(81%)
Female	43	(42%)	28	(19%)
By Employment Type (Percentage)				
Full Time	102	(100%)	91	(62%)
Part Time	0	(0%)	55	(38%)
By Age Group (Percentage)				
Aged 30 & below	48	(47%)	12	(8%)
Aged 31-40	48	(47%)	24	(16%)
Aged 41-50	5	(5%)	37	(25%)
Aged 51 & above	1	(1%)	73	(50%)
By Geographical Region (Percentage)				
Hong Kong	77	(76%)	146	(100%)
PRC	25	(24%)	0	(0%)

Environmental, Social and Governance

The Group adopts a set of transparent and clear procedures to conduct its annual recruitment plan aiming at "Openness, Fairness, Transparency, Standardisation" (公開、公平、透明、規範) in every detail. To attract high-calibre candidates, the Group offers fair, competitive remuneration and benefits based on the individuals' past performance, personal attributes, job experiences and career aspirations. The Group also makes references to market benchmarks in determining its remuneration and benefit policies. As talent retention is vital to the future business development of the Group, the Group constantly reviews its compensation packages and performs probationary and regular evaluations on the employees' capability and performance in the past. Any employment, promotion or dismissal would be based on legitimate grounds, such as referring to the Employee Manual. The Group prohibits any kind of illicit or illegitimate dismissals.

The Group has formulated its policy based on local employment laws for determining enough working hours and rest time for employees. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees may also be entitled to additional leave entitlements such as marriage leave, maternity leave and compassionate leave.

As an equal opportunity employer, the Group is committed to creating 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, colour, descent, national or ethnic origins, nationality, religion or any other non-job related elements in all business units of the Group. Meanwhile, the equal opportunity policy forbids any workplace discrimination, harassment or vilification in accordance with local ordinances and regulations. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Company, which will be fully responsible for making sure that the Group strictly complies with relevant laws and regulations on both local and national levels. Besides, the human resources department should also take responsibility of assessing, dealing with, recording and taking any necessary disciplinary actions on such incidents.

The Group provides annual physical examination, working meals, uniforms (for relevant foundation and substructure construction services staff), and medical insurance to employees. During some traditional Chinese festivals, employees may have the chance to receive extra bonuses and gifts. Apart from that, the Recreational Committee (康樂委員會) established by the Group will organise special events for employees on a regular basis.

During 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 7 Investment Business Employee Turnover Rate# for the Year

By Gender (Percentage)	**Investment Business***
Male	2.9%
Female	2.0%
By Age Group (Percentage)	
Aged 30 & below	1.0%
Aged 31-40	2.0%
Aged 41-50	2.0%
Aged 51 & above	0%
By Geographical Region (Percentage)	
Hong Kong	4.9%
PRC	0

Due to industry practice, the foundation and substructure construction services employs staff mainly through short-term contracts; therefore, employee turnover rate is not applicable to the foundation and substructure construction services.

* *Turnover rate = loss of employees (i.e. the number of regular employees voluntarily resigned) ÷ workforce at the end of the year*

Environmental, Social and Governance

B.2. Health and Safety

To provide and maintain good working conditions and a safe, healthy working environment for its employees, the Group has established work safety and health policies that are in line with various laws and regulations in Hong Kong and the PRC. Relevant laws and regulations include Occupational Safety and Health Ordinance in the PRC (中華人民共和國職業安全健康條例), Occupational Disease Prevention Law in the PRC (中華人民共和國職業病防治法), and Occupational Safety and Health Ordinance (Chapter 509 of The Laws of Hong Kong).

The Group has prohibited smoking and liquor drinking at the work place. In order to keep the workers safe and avoid dangerous situations, the Group provides suitable personal protective equipment (such as helmets, safety ropes, gloves, etc.) to workers. Project managers are responsible for making sure that all workers have attended safety training courses. The Group also urges all personnel to take self-responsibilities for his or her daily safety management so as to prevent accidents in the workplace. During the Year, the Group had no work-related fatalities.

B.3. Development and Training

The Group has 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 strengthening the work-related skills and knowledge of its employees, who are expected to achieve better working performance after receiving appropriate training. The Group offers comprehensive trainings to all new employees, such as Group's corporate culture, business processes, job requirements and specific job knowledge. As for the existing employees, non-scheduled profession-oriented courses are offered according to the needs of the Group. The Group ensures that all its employees possess the necessary professional knowledge to complete its daily tasks, and helps them fulfil the continuous training hour requirement for annual professional qualifications as well.

To further enhance the professional skills of its employees and meet the needs of the Group's development, the Group encourages its employees to sign up for professional qualifications examinations and external trainings. Employees who took the professional qualification examinations and obtained vocational qualification certificates could receive an reimbursement from the Group. The Group also invites external organisations and experts to give relevant trainings to its employees. The training content covers accounting, regulatory affairs, finance, business and so on. During the Year, the average time spent by an individual employee on training was 18 hours.

Table 8 Investment Business Percentage of Employees and Hours Trained in the Year

Employee Ratio		Male	Female
Percentage of employees trained		100%	100%
Total training hours completed		1,066 Hours	774 Hours
Employee Ratio	**General Employee**	**Manager**	**Senior Manager**
Percentage of employees trained	100%	100%	100%
Total training hours completed	1,282 Hours	414 Hours	144 Hours

B.4. Labour Standards

The Group strictly abides by the Labour Law of the PRC (中華人民共和國勞動法), Labour Contract Law of the PRC (中華人民共和國勞動合同法), Employment Ordinance (Chapter 57 of The Laws of Hong Kong) and other related labour laws and regulations in Hong Kong and the PRC, to prohibit any child and/or forced labour employment.

Environmental, Social and Governance

To combat against illegal employment on child labour, underage workers and forced labour, the Group's human resources department requires job applicants to provide valid identity documents before confirmation of employment to ensure that the applicants are lawfully employable. The human resources department of the Company is also responsible to monitor and ensure the compliance by the Group with the latest relevant laws and regulations that prohibit child labour and forced labour employment.

During 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 an enterprise that bases its basic principle on fulfilling social responsibilities, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain that takes environmental and societal impact into considerations. The Group monitors the quality of its suppliers and supply chain practices on a strict and continuous basis.

In selecting suppliers for the investment business, the Group insists on choosing the suppliers that are socially sustainable in its business operations, financially stable and legally responsible according to local laws. The products and services provided by the suppliers need to be legal, safe, and with high additional value. The Group often takes initiatives to visit its suppliers with the purpose of improving their services through face-to-face communications. The Group has established procurement guideline 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). The common procurement methods adopted by the Group include calling for bids, competitive negotiation, price quotation, single-source procurement, amount purchase and so on.

For the foundation and substructure construction services, the Group chooses contractor/suppliers based on their background, product/service quality, price, customer service quality, reputation, past cooperation experience, delivery time, and outcome from annual evaluation. Considering all factors, the Group emphasises the supplier/contractor's experience, pricing, and quality. The supplier/contractor must not only meet the Group's internal standards, but also be a legally compliant enterprise. The Group has its own internal list of approved qualified suppliers and will reassess them annually.

To ensure that there is no colluding and the tendering process is fair and legitimate, the Group invites multiple contractors to submit their procurement proposals. The Group regulates that the contractors should not have any form of direct affiliation with the senior management.

In selecting the suppliers for certain material, the Group requires the suppliers to obtain verification from the independent laboratory to guarantee the quality of the material. This process is considered necessary as it is essential in protecting the Group. The Group's surveyor and on-site workers will assess every outsourced engineering subcontractor, and make sure all engineering work that are underway should comply with all relevant laws and regulations in Hong Kong.

Environmental, Social and Governance

The Group maintains close liaison with its suppliers to ensure that suppliers comply with local laws and regulations in their country of operation and adherence to their corporate ethics. The Group has formulated a policy of supplier management and divided the suppliers into different groups according to the duration and scope of the cooperation so as to implement a differentiated management strategy for the suppliers. Given the firm and stable relationship between the Group and its suppliers, the Group is quickly informed of the suppliers' situation through the internet, phone calls, and other communication means.

Table 9. Number of Suppliers in the Year

Number of Suppliers by Geographic Region	Investment Business	Foundation and Substructure Construction Services
Hong Kong	18	229
PRC	8	–

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), the Corporate Finance Consultant Code of Conduct and local laws. 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 confidential agreement with other enterprises if necessary.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly abides by the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business, such as Law of the PRC on Anti-money Laundering (中華人民共和國反洗錢法) and the Prevention of Bribery Ordinance (Chapter 201 of The Laws of Hong Kong).

No form of corruption is tolerated by the Group. 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), which should be abided by employees to eliminate any corruption and bribery. When conducting any kind of transactions, the Group seeks to understand the client's background through inquiring and reviewing client's information, thereby identifying and preventing the client and employees from bribery, extortion, fraud and money laundering in any way.

Environmental, Social and Governance

The Group also strives to uphold the highest ethical standards. The Group assesses and monitors its business in accordance with the guidelines of the ICAC and other relevant authorities in Hong Kong. The Group has formulated an internal whistleblowing policy to encourage staff to supervise and report on suspected act of bribery. All reported information will be strictly kept confidential. During the Year, the Group invited officers from the ICAC twice to provide relevant anti-corruption trainings to the Group's employees and Directors and no concluded legal case regarding corrupt practices was brought against the Group or its employees.

During the Year, the Group was not in violation of any of the 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

The Group truly understands the importance of making a positive contribution to the local communities where it operates, and sees the interests of the communities as one of its social responsibilities. It is the Group's policy that encourages its employees to support and participate in social welfare activities and community care projects to gain a better understanding of the community's needs. The Group firmly believes that being a part of those activities would help the Group to align the Group's policy with the best interests of the community.

The Group values education and is keen to provide continuous support to the cause of education in China. During the Year, the Group made donations to support the building of Xiwang Primary School (希望小學) in Jiangxi, which amounted to RMB600,000.

During the Year, the Group had received multiple listed companies awards, including 'Listed Enterprises of the Year 2017' from Bloomberg Businessweek/China, the 7th 'Golden Bauhinia Award – Most Worth Investing Listed Companies' from Takung Wenwei Media Group, 'Outstanding Corporate Performance Award' from Capital Weekly and 'The Most Worthy Financial Bank Holding Company of Golden Hong Kong Stock in 2017' from Zhitongcaijing and Tonghuashuncaijing. All those awards reflected the high recognition of the Group from the society. As an international strategic platform of China Huarong, the Group's corporate strength and brand influence are constantly improving.

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 58 to 133, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 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 Level 3 financial instruments	
We identified the valuation of Level 3 financial instruments which required the involvement of qualified external valuers as a key audit matter due to the degree of complexity involved in valuing the financial instruments and the significance of the judgments and estimates made by management. The Group works with qualified external valuers and uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The determination of the fair value of certain Level 3 financial instruments are dependent on the valuation techniques applied and key inputs to the valuation models. As at 31 December 2017, approximately HK$770 million of the Group's financial assets in aggregate that were carried at fair value were classified as Level 3 financial instrument. Further details of the Group's Level 3 financial instruments are included in Note 24, 25 and 46(c) to the consolidated financial statements.	Our procedures in relation to valuation of Level 3 financial instruments included: • Obtaining an understanding from the management of the procedures and controls in place for valuation of financial instruments, and the involvement of the qualified external valuers; • Examining the relevant investment contracts for the key terms and the relevant contractual rights and obligations of the financial instruments; • Obtaining the valuation reports and assessing the competence, capabilities and objectivity of the qualified external valuers; and their experience in performing valuation of similar financial instruments; and • Involving our internal valuation experts: – to evaluate the valuation methodologies applied by the management with reference to generally accepted valuation methods; and – to evaluate the appropriateness of the key inputs used, recalculate the fair value estimates and compare the results to the Group's valuations, and investigate significant differences on the fair value, if any.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of financial assets classified as receivables, loan receivables and finance lease receivables	
We identified the impairment of financial assets classified as receivables, loan receivables and finance lease receivables as a key audit matter due to its significance to the consolidated financial statements, and the use of judgement by the management in evaluating the ultimate realisation of financial assets classified as receivables, loan receivables and finance lease receivables. As at 31 December 2017, these financial assets amounted to approximately HK$4,119 million, net of the related collective impairment allowance of approximately HK$64 million, representing 30% of the total assets of the Group. Financial assets classified as receivables, loan receivables and finance lease receivables are assessed for impairment by the management. In determining the impairment of financial assets classified as receivables, loan receivables and finance lease receivables, the management considers the creditworthiness of the borrowers, guarantees and the underlying collateral held, 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. Please refer to notes 23, 22 and 21 to the consolidated financial statements respectively for further details of these financial assets.	Our procedures in relation to impairment of financial assets classified as receivables, loan receivables and finance lease receivables included: • Obtaining an understanding from the management of the credit risk approval and monitoring process; • Obtaining an understanding of management's methodology for determining the individual and collective impairment allowance on financial assets classified as receivables, loan receivables and finance lease receivables and assessing the appropriateness of the methodology used by management; • On a sample basis, evaluating management's assessment of the credit quality of these financial assets by examining the credit files and historical payment records; • Assessing the reasonableness of key inputs and assumptions applied, including the Group's historical loss data or industry experience, when determining collective impairment; and • Testing the data inputs and the mathematical accuracy of the impairment allowance calculation.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts	
We identified the recognition of revenue from construction contracts as a key audit matter due to significance of the judgments and estimates made by management in determining the stage of completion of construction contracts and the amount of the contract revenue recognised. The Group recognised revenue from construction contracts using the percentage of completion method, measured by reference to the progress certificates 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 including variations in contract work, claims and incentive payments, which involve management's best estimates and judgments, as disclosed in note 5 to the consolidated financial statements.	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 determining the stage of completion and recognition of revenue from construction contracts; • Agreeing, on a sample basis, the budget construction revenue to the construction contracts and variation orders, if any, and architect's instructions or other form of agreements or other correspondences, and discussing with the project managers to evaluate the reasonableness of the estimated total budget contract revenue based on the size and complexity of the construction contracts; • Discussing with the project managers to understand the status of completion of the relevant construction projects and the reasons for the change of budget contract value during the year; and • Assessing whether value of work has been reasonably recognised as contract revenue, by performing the following procedures on a sample basis: (1) Checking to the latest certificate issued by the independent surveyors ("Surveyors") 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 and other supporting documents for those work already performed but not yet certified by the Surveyors before year end; and (3) Checking to the certificates issued by the Surveyors subsequent to year end date, to determine whether uncertified work before year end has been subsequently certified by the Surveyors;

Independent Auditor's Report

Other Matter

The consolidated financial statements of the Group for the period from 1 April 2016 to 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 13 March 2017.

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 period 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

13 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000 *(Note 2)*
Revenue			
Income from construction services	7	303,564	469,864
Dividend, interest and service income	7	606,119	180,057
		909,683	649,921
Net change in unrealised gain on financial assets	8	162,330	59,372
Net realised gain on disposal of investments	8	104,795	7,954
Other (losses) or gains	9	(80,615)	2,800
Other income	10	18,795	3,979
Labour costs for construction business		(45,278)	(57,336)
Other staff costs		(60,592)	(65,568)
Material and subcontractor costs		(182,548)	(282,756)
Other construction costs		(51,513)	(58,738)
Other operating expenses		(151,007)	(31,771)
Finance costs	11	(229,845)	(49,504)
Profit before tax	12	394,205	178,353
Income tax expense	15	(124,609)	(22,536)
Profit for the year/period		269,596	155,817
Other comprehensive income (expense) for the year/period			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale investments		63,614	(536)
Reclassification adjustments to profit or loss on disposal		(61,265)	–
Exchange differences arising on translating of foreign operations		30,654	(2,761)
Other comprehensive income (expense) for the year/period, net of tax		33,003	(3,297)
Profit and total comprehensive income for the year/period attributable to owners of the Company		302,599	152,520
Earnings per share			
– Basic (HK cents)	17	15.6	13.1

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	*18*	**77,572**	86,044
Intangible asset	*19*	**1,840**	1,840
Available-for-sale investments	*20*	**1,920,858**	925,033
Finance lease receivables	*21*	**1,447,928**	46,298
Loan receivables	*22*	**1,036,403**	–
Financial assets classified as receivables	*23*	**189,299**	193,580
Financial assets designated at fair value through profit or loss	*24*	**251,929**	–
Rental deposit		**28,277**	–
Deposit paid for acquisition of plant and equipment		**–**	2,220
Total non-current assets		**4,954,106**	1,255,015
CURRENT ASSETS			
Amounts due from customers for contract work	*26*	**62,369**	43,840
Trade and other receivables	*27*	**192,797**	235,851
Available-for-sale investments	*20*	**2,393,377**	–
Finance lease receivables	*21*	**473,671**	9,598
Loan receivables	*22*	**971,257**	29,927
Financial assets classified as receivables	*23*	**–**	100,726
Financial assets designated at fair value through profit or loss	*24*	**1,139,721**	217,461
Held for trading investments	*25*	**1,963,016**	228,762
Amounts due from fellow subsidiaries	*33, 44(c)*	**100,965**	–
Amount due from the immediate holding company	*33, 44(c)*	**2,800**	933
Amounts due from related parties	*44(c)*	**26**	261
Deposits in other financial institutions	*28*	**146,341**	31,096
Bank balances and cash	*29*	**1,506,542**	1,452,372
Total current assets		**8,952,882**	2,350,827
CURRENT LIABILITIES			
Amounts due to customers for contract work	*26*	**3,839**	15,002
Trade and other payables	*30*	**255,385**	234,933
Obligations under finance leases	*31*	**7,692**	7,633
Interest-bearing borrowings	*32*	**8,102,639**	320,000
Amount due to a fellow subsidiary	*33, 44(c)*	**9,085**	–
Amount due to an intermediate holding company	*33, 44(c)*	**8,696**	8,627
Amounts due to related parties	*44(c)*	**12,202**	7,982
Tax payables		**91,033**	21,557
Held for trading investment	*25*	**17,384**	–
Total current liabilities		**8,507,955**	615,734

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
NET CURRENT ASSETS		**444,927**	1,735,093
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,399,033**	2,990,108
NON-CURRENT LIABILITIES			
Obligations under finance leases	*31*	**5,637**	5,362
Interest-bearing borrowings	*32*	**2,943,941**	2,415,958
Deposit from finance lease customers		**65,455**	–
Deferred tax liabilities	*34*	**21,028**	6,748
Total non-current liabilities		**3,036,061**	2,428,068
NET ASSETS		**2,362,972**	562,040
CAPITAL AND RESERVES			
Share capital	*35*	**18,160**	12,360
Perpetual capital instruments	*37*	**1,266,333**	–
Reserves		**1,078,479**	549,680
TOTAL EQUITY		**2,362,972**	562,040

The consolidated financial statements on pages 58 to 133 were approved by the Board of Directors on 13 March 2018 and are signed on its behalf by:

Qin Ling
DIRECTOR

Zhang Fan
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000 (Note 35)	Share premiums HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Merger reserve HK$'000 (Note c)	Statutory reserve HK$'000 (Note d)	Available-for-sale investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Perpetual capital instruments HK$'000	Total HK$'000
At 1 April 2016	10,300	150,524	7,164	(87,838)	–	–	–	145,974	226,124	–	226,124
Profit for the period	–	–	–	–	–	–	–	155,817	155,817	–	155,817
Other comprehensive expense for the period											
Change in fair value of available-for-sale investments	–	–	–	–	–	(536)	–	–	(536)	–	(536)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	(2,761)	–	(2,761)	–	(2,761)
Other comprehensive expense for the period	–	–	–	–	–	(536)	(2,761)	–	(3,297)	–	(3,297)
Total comprehensive (expense) income for the period	–	–	–	–	–	(536)	(2,761)	155,817	152,520	–	152,520
Issue of shares	2,060	183,340	–	–	–	–	–	–	185,400	–	185,400
Expense incurred in connection with the issue of new shares	–	(2,004)	–	–	–	–	–	–	(2,004)	–	(2,004)
Appropriation to statutory reserve	–	–	–	–	3,819	–	–	(3,819)	–	–	–
At 31 December 2016	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	–	–	–	–	–	(61,265)	–	–	(61,265)	–	(61,265)
Exchange differences on translation of foreign operations	–	–	–	–	–	–	30,654	–	30,654	–	30,654

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company										
	Share capital HK$'000 *(Note 35)*	Share premiums HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Merger reserve HK$'000 *(Note c)*	Statutory reserve HK$'000 *(Note d)*	Available-for-sale investments revaluation reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Subtotal HK$'000	Perpetual capital instruments HK$'000	Total HK$'000
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

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 period.

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 period.

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 2017

	NOTES	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
NET CASH USED IN OPERATING ACTIVITIES	*43*	**(4,994,182)**	(416,237)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(34,621)**	(8,485)
Net cash outflow for acquisition of a subsidiary accounted for an asset acquisition		**–**	(1,695)
Proceeds from disposal of plant and equipment		**26,590**	894
Deposit paid for acquisition of plant and equipment		**–**	(2,220)
Advance from (to) related parties		**235**	(1,062)
Advance to fellow subsidiaries		**(5,766)**	–
Advance to the immediate holding company		**(1,867)**	–
Purchase of available-for-sale investments		**(3,758,289)**	(925,239)
Proceeds from disposal of available-for-sale investments		**435,415**	–
Purchase of financial assets designated at fair value through profit or loss		**(1,149,412)**	(212,158)
Placement of pledged bank deposits		**(953,658)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(5,441,373)**	(1,149,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings raised	*42*	**10,137,321**	2,765,958
Repayments of interest-bearing borrowings	*42*	**(1,834,599)**	(30,000)
Capital element of finance lease rentals paid	*42*	**(8,514)**	(7,129)
Interest element of finance lease rentals paid	*42*	**(422)**	(470)
Interest paid	*42*	**(220,228)**	(49,034)
Advance from related parties	*42*	**4,220**	16,540
Advance from a fellow subsidiary	*42*	**9,085**	–
Advance from an intermediate holding company	*42*	**69**	–
Proceeds from issue of new shares		**232,000**	185,400
Expenses incurred in connection with issue of new shares		**–**	(2,004)
Proceed from issue of perpetual capital instruments	*42*	**1,171,134**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**9,490,066**	2,879,261
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(945,489)**	1,313,059
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD		**1,452,372**	142,208
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET		**46,001**	(2,895)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	*29*	**552,884**	1,452,372

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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.

On 6 January 2017, the Company entered into a subscription agreement with Right Select International Limited ("Right Select"), a direct wholly-owned subsidiary of China Huarong International Holdings Limited ("CHIH"), pursuant to which Right Select has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 580,000,000 ordinary shares of the Company (the "Subscription Shares") in cash at a subscription price of HK$0.40 per Subscription Share (the "Subscription"). The nominal value of the Subscription Shares was HK$5,800,000. The aggregate subscription price of the Subscription Shares was HK$232,000,000. Completion of the Subscription took place on 28 February 2017 and the Subscription Shares have been duly allotted and issued to Right Select. Immediately after completion of the Subscription, there were a total sum of 1,816,000,000 shares of the Company in issue. The aggregate shareholding directly held by Right Select upon completion, represented approximately 50.99% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares. Accordingly, Right Select became the immediate holding company and CHIH became an intermediate holding company of the Group. In the opinion of the directors of the Company, China Huarong Asset Management Co., Ltd., ("China Huarong"), a company established in the PRC and the shares of which shares are listed on the Stock Exchange, is the ultimate holding company of the Group. China Huarong is a PRC government related entity as it is controlled by the Ministry of Finance of the PRC.

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

The consolidated financial statements of the Company and its subsidiaries (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.

Starting from the financial period ended 31 December 2016, the reporting period end date of the Group changed from 31 March to 31 December in order to align the Company's financial year end with that of those indirect wholly-owned subsidiaries of the Company which are incorporated in the PRC. Accordingly, the consolidated financial statements cover the current year from 1 January 2017 to 31 December 2017. The corresponding comparative amounts shown cover a nine-month period from 1 April 2016 to 31 December 2016 and therefore may not be comparable with amounts shown for the current year. The presentation of the comparative figures have been modified to conform with the current year's presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. Basis of Preparation of Consolidated Financial Statements (continued)

In prior years, the expenses of the Group were presented in the Group's consolidated statement of profit or loss and other comprehensive income by function. During the current year, the directors of the Company considered that to analyse the expenses of the Group by nature is more useful and meaningful for the users of the Group's consolidated financial statements to assess the Group's financial performance as a result of increased activities in the direct investments and financial services and others segments.

Accordingly, the presentation of the Group's consolidated statement of profit or loss and other comprehensive income has been revised. The change of the presentation of the Group's consolidated statement of profit or loss and other comprehensive income has no effects on the consolidated financial positions of the Group as at 31 December 2016 and 1 April 2016 and on its consolidated financial performance for the nine months ended 31 December 2016.

The effect of the change in the presentation from by function to by nature on corresponding items of the Group's consolidated statement of profit or loss and other comprehensive income for the nine months ended 31 December 2016 is as follows:

	1 April 2016 to 31 December 2016 HK$'000 (as previously presented)	Changes in presentation HK$'000	1 April 2016 to 31 December 2016 HK$'000 (as represented)
Dividend, interest and service income	–	180,057	180,057
Operating income	215,805	(215,805)	–
Cost of construction services	(398,830)	398,830	–
Net change in unrealised gain on financial assets	–	59,372	59,372
Net realised gain on disposal of investments	–	7,954	7,954
Other gain	–	2,800	2,800
Other income	38,357	(34,378)	3,979
Administrative expenses	(97,339)	97,339	–
Labour costs for construction business	–	(57,336)	(57,336)
Other staff costs	–	(65,568)	(65,568)
Material and subcontractor costs	–	(282,756)	(282,756)
Other construction costs	–	(58,738)	(58,738)
Other operating expenses	–	(31,771)	(31,771)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Application of New and Revised HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

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

Amendments to HKAS 7 "Disclosure Initiative"

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

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

A reconciliation between the opening and closing balances of these items is provided in note 42. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 42, the application of these amendments has had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Application of New and Revised HKFRSs (continued)

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Application of New and Revised HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Debt instruments classified as loan receivables and financial assets classified as receivables carried at amortised cost as disclosed in notes 22 and 23 respectively: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- All debt instruments classified as available-for-sale investments carried at fair value as disclosed in note 20: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the debt instruments in the open market and to third parties, and the contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, these debt instruments will continue to be subsequently measured at FVTOCI upon the application of HKFRS 9, and the fair value gains or losses accumulated in the available-for-sale investments revaluation reserve will continue to be subsequently reclassified to profit or loss when these debt instruments are derecognised.

- Unlisted fund investments and asset management plan classified as available-for-sale investments carried at fair value as disclosed in note 20: these financial assets fail the contractual cash flow characteristics test and therefore will be measured subsequently at fair value with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under HKFRS 9. On initial application of HKFRS 9, the available-for-sale investment revaluation reserve relating to those financial assets subsequently measured at fair value through profit or loss will be transferred to retained earnings as at 1 January 2018.

- Equity securities classified as available-for-sale investments carried at fair value as disclosed in note 20: equity securities are qualified for designation as measured at FVTOCI under HKFRS 9 and the Group elects this option. For these financial assets, the fair value gains or losses accumulated in the available-for-sale investment revaluation reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under HKFRS 9, which is different from the current treatment under HKAS 39. This will affect amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Application of New and Revised HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

Classification and measurement (continued)

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs, debt instruments measured at FVTOCI, finance lease receivables and amounts due from customers for contract work that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, upon the adoption of the new classification and measurement basis and expected credit loss model mentioned above in respect of financial assets, there will be a decrease in the total assets of the Group as at 1 January 2018 by no more than 4.3% of the amount as at 31 December 2017.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity 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. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Application of New and Revised HKFRSs (continued)

HKFRS 15 Revenue from contracts with customers (continued)

As regards of the construction contracts, the directors of the Company specifically consider HKFRS 15's guidance on contract combinations, contract modifications arising from variation orders, variable consideration, and the assessment of whether there is significant financing component in the contracts, particularly, taking into account the reason for the difference in timing between the transfer of control of goods and services to customers and timing of related payments. The directors of the Company have assessed that revenue from these construction contracts should be recognised over time as the customers control the properties during the course of construction by the Group. Furthermore, the directors of the Company consider that the output method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under HKFRS 15. However, the directors of the Company are assessing the financial impact for the recognition of construction costs in profit or loss based on the actual construction costs incurred under HKFRS 15's guidance, which is different from the current accounting policy of the Group to recognise the construction costs in profit or loss by reference to the stage of completion of the contract activity 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.

The directors of the Company intend to use the limited retrospective method of transition to HKFRS 15. The Group also provides various types of financial services. Revenue comprises primarily dividend income, interest income from loan receivables, financial assets classified as receivables, finance lease receivables, convertible bonds, available-for-sale investments and income from provision of business consulting services and others. Interest income, a significant component of the Group's revenue, is not under the scope of HKFRS 15. Apart from the recognition of construction costs as explained in above and providing more extensive disclosure on the Group's revenue transactions, the directors of the Company do not anticipate that the application of HKFRS 15 for remaining revenue will have a significant impact on the financial position and/or financial performance of the Group.

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. 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.

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. Under the 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.

In contrast to lessee accounting, 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. Furthermore, extensive disclosures are required by HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. Application of New and Revised HKFRSs (continued)

HKFRS 16 Leases (continued)

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$456,852,000 as disclosed in note 38. A preliminary assessment indicates that 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$28,277,000 and deposit from finance lease customers of HK$65,455,000 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 and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. Adjustment to refundable rental deposits received would be considered as advance lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for the above, the directors of the Company do not anticipate that the application of the new and amendments to HKFRSs listed above will have a material impact on the consolidated financial statements.

4. Significant Accounting Policies

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 entity 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

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.

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 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 service is recognised in the accounting period in which the services are rendered.

Interest income is accrued on a time 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

Construction contracts

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”.

Leasing

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 qualifying 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 2017

4. Significant Accounting Policies (continued)

Leasing (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.

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).

Borrowing costs

The borrowing costs that are not attributable to the acquisition, construction or production of qualified assets 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 entitling 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, of their payroll costs to the central pension scheme.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

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.

Share-based payment arrangements

<u>Equity-settled share-based payment transactions</u>

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to share premium.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

Taxation (continued)

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.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

Plant and equipment (continued)

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.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash and balances with banks and pledged bank deposits.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and balances with banks.

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. 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.

Financial assets

Financial assets are classified into the following specified categories: financial assets designated at fair value through profit or loss ("FVTPL"), available-for-sale investments ("AFS"), held for trading investments 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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 46.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the AFS investments revaluation reserve is reclassified to profit or loss.

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 receivables, financial assets classified as receivables, amounts due from related parties, amounts due from fellow subsidiaries, amount due from the immediate holding company, deposits in other financial institutions 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

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 2017

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (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 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 certain categories of financial assets, such as finance lease receivables, loan receivables, financial assets classified as receivables 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 receivables, financial assets classified as receivables 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 receivables, financial assets classified as receivables 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 investments 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 2017

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 includes 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

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 includes any interest paid on the financial liabilities.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, deposit from finance lease customers, amount due to a fellow subsidiary, amount due to an intermediate holding company, amounts due to related parties and interest-bearing borrowings 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.

Embedded derivatives

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. Generally, multiple embedded derivatives in a single instrument 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.

Derecognition

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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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.

Estimated fair value of financial instruments

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. As at 31 December 2017, the Group engages qualified external valuers to perform the valuation for financial instruments approximately HK$770 million (31 December 2016: HK$155 million). The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The finance department would report the valuation findings to the Board of Directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments, which involved complex and significant judgments and estimates made by the management. Note 46(c) provide further detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various instruments.

Estimated impairment of financial assets classified as receivables, loan receivables and finance lease receivables

The Group reviews its financial assets classified as receivables, loan receivables and finance lease receivables to assess impairment on a periodic 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. A considerable amount of judgement is required in assessing the ultimate realisation of these financial assets, including the creditworthiness of the borrowers, the underlying collateral held. At the end of the reporting period, the carrying value of financial assets classified as receivables, loan receivables and finance lease receivables are approximately HK$189,299,000, HK$2,007,660,000 and HK$1,921,599,000, net of collective impairment allowance of approximately HK$2,883,000, HK$31,232,000 and HK$30,300,000 respectively. (31 December 2016: HK$294,306,000, HK$29,927,000 and HK$55,896,000, net of collective impairment allowance of nil, nil and nil respectively).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. Significant Accounting Judgments and Estimates (continued)

Construction contracts

The Group recognised revenue and costs from construction contracts, which were derived from the percentage of completion method, measured by reference to the progress certificates at the end of the reporting period based on the proportion that the value of work performed to date to the estimated total contract value including variations in contract work, claims and incentive payments which involve the management's best estimates and judgments.

Estimated construction income is determined in accordance with the terms set out in the relevant contracts. Estimated construction costs which mainly comprise sub-contracting charges and costs of materials are proposed by the management on the basis of quotations from time to time provided by the major sub-contractors/suppliers/vendors involved and the experience of the management. Because of the nature of the construction industry, the management regularly reviews the progress of the contracts and the estimated construction income and costs.

Estimated impairment of trade and other receivables

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade and other receivables balance and creditworthiness of the customer. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated. At the end of the reporting period, the carrying value of trade and other receivables is approximately HK$192,797,000 (2016: HK$235,851,000).

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 allocates 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.

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

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

(2) Financial services and others – finance lease services, business consulting 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. Operating Segment Information

Segment revenues and results

The following tables present the revenue and results for the year ended 31 December 2017 and period from 1 April 2016 to 31 December 2016 and certain assets, liabilities and expenditure information for the Group's operating segments as at 31 December 2017 and 2016 and for the year/period then ended. The comparative figures of segment revenue, segment result, other losses or gains, other income and finance costs have been reclassified to conform with the current year's presentation.

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.

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
Segment result have been arrived at after crediting (charging):				
Net change in unrealised gain on financial assets	162,330	–	–	
Net realised gain on disposal of investments	104,795	–	–	
Finance costs	(146,751)	(29,650)	(7,576)	
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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. Operating Segment Information (continued)

For the period from 1 April 2016 to 31 December 2016

	Direct investments HK$'000	Financial services and others HK$'000	Foundation and substructure construction services HK$'000	Total HK$'000
Segment revenue	93,443	86,614	469,864	649,921
Segment result	157,906	83,620	46,642	288,168
Segment result have been arrived at after crediting (charging):				
Net change in unrealised gain on financial assets	59,372	–	–	
Net realised gain on disposal of investments	7,954	–	–	
Finance costs	–	(1,947)	(2,732)	
Unallocated income and expenses				
Other gains				2,169
Other income				3,965
Other operating expenses				(71,124)
Finance costs				(44,825)
Profit before tax				178,353

The accounting policies of the 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.

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:

	2017 HK$'000	2016 HK$'000
Segment assets		
Direct investments	10,062,994	1,726,585
Financial services and others	1,982,512	62,441
Foundation and substructure construction services	230,752	347,298
Total segment assets	12,276,258	2,136,324
Unallocated corporate assets	1,630,730	1,469,518
Total consolidated assets	13,906,988	3,605,842
Segment liabilities		
Direct investments	2,142,522	62
Financial services and others	417,083	91,675
Foundation and substructure construction services	496,878	513,553
Total segment liabilities	3,056,483	605,290
Unallocated corporate liabilities	8,487,533	2,438,512
Total consolidated liabilities	11,544,016	3,043,802

Included in unallocated segment assets and liabilities, certain bank balances and cash, plant and equipment, amounts due from related parties, other receivables, tax payables, interest-bearing borrowings, deferred tax liabilities and other payables were managed in a centralised manner for the purpose of monitoring segment performance and allocating resources between segments.

Geographical information

During the year ended 31 December 2017 and for the period from 1 April 2016 to 31 December 2016, 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)*	
	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000	2017 HK$'000	2016 HK$'000
The PRC	317,371	54,036	3,028	–
Hong Kong (country of domicile)	592,312	595,885	76,384	90,104
	909,683	649,921	79,412	90,104

Note: Non-current assets excluded financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. Operating Segment Information (continued)

Other segment information

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:					
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)
Bad debts on trade receivables of construction services	–	–	8,741	–	8,741
Bad debts recovery on trade receivables of construction services	–	–	(580)	–	(580)
Provision for impairment losses on financial assets	33,564	29,278	15,000	–	77,842

For the period from 1 April 2016 to 31 December 2016

	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:					
Additions to non-current assets *(Note)*	–	1,901	4,306	6,338	12,545
Depreciation	–	5	27,417	407	27,829
Gain on disposal of plant and equipment	–	–	(631)	–	(631)
Loss on write-off of plant and equipment	–	–	81	–	81

Note: Non-current assets excluded financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. Operating Segment Information (continued)

Information about major customers

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

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Customer A[1]	114,209	N/A[2]
Customer B[1]	N/A[2]	326,215

[1] Revenue from foundation and substructure construction services.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. Revenue

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

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Income from construction services		
Foundation and substructure construction services	303,564	469,864
Dividend, interest and service income		
Dividend income	71,147	88,641
Interest income from loan receivables	65,780	361
Interest income from financial assets classified as receivables	19,742	4,441
Interest income from finance lease receivables	58,620	270
Interest income from convertible bonds	9,574	–
Interest income from available-for-sale investments	62,973	–
Income from provision of business consulting services and others	318,283	86,344
	606,119	180,057
Total	909,683	649,921

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

8. Net Change in Unrealised Gain on Financial Assets and Net Realised Gain on Disposal of Investments

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Net change in unrealised gain on financial assets		
Unrealised gain on held for trading investments	143,823	27,247
Unrealised gain on financial assets designated at fair value through profit and loss	18,507	32,125
	162,330	59,372
Net realised gain on disposal of investments		
Realised gain on disposal of held for trading investments	43,530	7,954
Realised gain on disposal of available-for-sale investments	61,265	–
	104,795	7,954

9. Other (Losses) or Gains

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

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Net exchange (losses) gains	(3,206)	2,169
Net gain on disposal of plant and equipment	8,594	631
Bad debts on trade receivables of construction services	(8,741)	–
Bad debts recovery on trade receivables of construction services	580	–
Provision for impairment loss on retention receivable	(15,000)	–
Provision for impairment losses on financial asset classified as receivable	(2,883)	–
Provision for impairment losses on loan receivables	(30,681)	–
Provision for impairment losses on finance lease receivables	(29,278)	–
	(80,615)	2,800

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10. Other Income

An analysis of other income is as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Bank interest income	9,674	3,965
Others	9,121	14
	18,795	3,979

11. Finance Costs

An analysis of finance costs is as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Interest-bearing borrowings	229,423	49,034
Obligations under finance leases	422	470
	229,845	49,504

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

12. Profit before Tax

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

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Staff costs (including directors' emoluments)		
– Salaries, allowances and benefits in kind	**110,297**	130,002
– Retirement benefits scheme contributions	**5,465**	2,847
Total staff costs	**115,762**	132,849
Less: Amount included in construction contracts in progress	**(9,892)**	(9,945)
	105,870	122,904
Depreciation in respect of plant and equipment		
– Assets held under finance leases	**6,845**	5,649
– Owned assets	**29,326**	22,180
	36,171	27,829
Minimum lease payments under operating leases in respect of:		
– Motor vehicles	**945**	1,418
– Land and buildings	**37,039**	5,840
	37,984	7,258
Auditor's remuneration		
– Audit services	**2,200**	1,000
– Non-audit services	**880**	250
	3,080	1,250

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. 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 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)*	*(a)*	227	–	11	238
Mr. Xu Xiaowu *(Chief Executive Officer)*	*(b)*	–	2,082	56	2,138
Mr. Tian Ren Can	*(c)*	69	–	–	69
Mr. Kwan Wai Ming		–	1,320	18	1,338
Ms. Lin Changhua	*(d)*	–	735	38	773
Dr. Niu Shaofeng	*(e)*	–	119	8	127
Mr. Liu Xiguang	*(f)*	–	1,731	41	1,772
Non-executive Directors					
Mr. Wu Qinghua	*(g)*	–	–	–	–
Mr. Lin Xueqin	*(h)*	–	–	–	–
Independent Non-executive Directors					
Mr. Zhang Xiaoman	*(i)*	142	–	–	142
Mr. Tse Chi Wai		150	–	–	150
Mr. Chan Kee Huen Michael		210	–	–	210
Mr. Wu Tak Lung	*(j)*	105	–	–	105
Dr. Lam Lee G.	*(k)*	45	–	–	45
Dr. Fang Fuqian	*(l)*	25	–	–	25
Total		973	9,413	324	10,710

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

For the period from 1 April 2016 to 31 December 2016

	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)*	–	862	103	965
Mr. Yeung Chun Wai Anthony *(Vice Chairman)*	146	–	7	153
Mr. Xu Xiaowu *(Chief Executive Officer)*	–	596	–	596
Mr. Tian Ren Can	134	–	–	134
Mr. Kwan Wai Ming	–	990	14	1,004
Ms. Lin Changhua	–	385	26	411
Mr. Chen Youhua	23	–	1	24
Mr. Leung Kam Chuen	192	–	–	192
Non-executive Director				
Mr. Wu Qinghua	–	–	–	–
Independent Non-executive Directors				
Mr. Zhang Xiaoman	113	–	–	113
Mr. Tse Chi Wai	105	–	–	105
Mr. Chan Kee Huen Michael	117	–	–	117
Mr. Wu Tak Lung	23	–	–	23
Prof. Lam Sing Kwong Simon	13	–	–	13
Mr. Cheung Kwok Yan Wilfred	29	–	–	29
Ms. Wong Fong	29	–	–	29
Total	924	2,833	151	3,908

Notes:

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

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

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

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

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

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

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

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

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

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

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

(l) Appointed as an Independent Non-executive Director on 31 October 2017.

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

With effect from 13 March 2018, Mr. Zhang Fan has been appointed as an Executive Director of the Company. Details of the event are disclosed in the Company's announcement dated 13 March 2018.

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 (period ended 2016: nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2017 and the period from 1 April 2016 to 31 December 2016.

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 (2016: nil).

14. Five Highest Paid Employees

The five highest paid employees included two directors of the Company for the year ended 31 December 2017 and none was director of the Company for the period from 1 April 2016 to 31 December 2016, details of whose remuneration are set out in note 13 above. Details of the remuneration for the year of the three (period ended 2016: five) highest paid employees who are non-directors of the Company are as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Salaries and other benefits	**6,336**	10,330
Pension scheme contributions	**229**	11
	6,565	10,341

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

	1 January 2017 to 31 December 2017 Number of employees	1 April 2016 to 31 December 2016 Number of employees
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**3**	1
HK$2,500,001 to HK$3,000,000	**–**	1
	3	5

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15. Income Tax Expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year/period.

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/period.

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Current tax:		
Hong Kong	**49,314**	10,785
PRC tax	**61,015**	12,792
	110,329	23,577
Deferred tax *(Note 34)*	**14,280**	(1,041)
	124,609	22,536

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

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Profit before tax	**394,205**	178,353
Tax at the domicile tax rate of 16.5% (2016: 16.5%)	**65,044**	29,428
Income not subject to tax	**(872)**	(26,494)
Expenses not deductible for tax	**7,708**	550
Tax effect of deductible temporary differences	**12,844**	–
Tax losses not recognised	**3,139**	14,707
Effect of different tax rate of subsidiaries operating on other jurisdiction	**36,746**	4,345
Tax expense	**124,609**	22,536

16. Dividends

No dividends were paid, declared or proposed by the Company during the year (period ended 2016: nil).

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17. Earnings Per Share

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

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**269,596**	155,817

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,723,836**	1,188,635

No diluted earnings per share were presented as there were no potential ordinary shares in issue for the year ended 31 December 2017 and the period ended 31 December 2016.

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18. 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 April 2016	162,764	4,404	1,122	18,186	3,096	189,572
Additions	4,223	–	1,094	3,160	8	8,485
Disposals and written-off	(2,600)	–	(98)	(198)	–	(2,896)
At 31 December 2016	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
ACCUMULATED DEPRECIATION						
At 1 April 2016	75,725	367	513	7,106	129	83,840
Charge for the period	21,922	1,652	246	3,428	581	27,829
Eliminated on disposals and written-off	(2,288)	–	(66)	(198)	–	(2,552)
At 31 December 2016	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
CARRYING VALUES						
At 31 December 2017	48,326	7,521	11,099	9,006	1,620	77,572
At 31 December 2016	69,028	2,385	1,425	10,812	2,394	86,044

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

As at 31 December 2017, the carrying value of machineries and motor vehicles include amount of HK$19,410,000 and HK$2,520,000 (2016: HK$17,660,000 and HK$4,010,000) in respect of assets held under finance leases respectively.

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19. Intangible Asset

	2017 HK$'000	2016 HK$'000
License, at cost	**1,840**	1,840

Intangible asset represents the money lender's license acquired by the Group from an independent third party through acquisition of a subsidiary during the period from 1 April 2016 to 31 December 2016.

The license has a legal life of one year but is renewable every year at minimal cost. The directors of the Company are of the opinion that the license has indefinite useful life and the Group would renew the license continuously and has the ability to do so.

The license will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. The directors of the Company have performed the assessment on impairment and determined that the recoverable amount of CGU was higher than the carrying amount of license.

20. Available-for-sale Investments

	2017 HK$'000	2016 HK$'000
Listed investments:		
– Debt instruments	**523,387**	–
Unlisted investments:		
– Funds	**1,038,774**	925,033
– Debt instruments	**2,404,497**	–
– Equity securities	**650**	–
– Asset management plan	**346,927**	–
	3,790,848	925,033
Total	**4,314,235**	925,033
Analysed for reporting purpose as:		
Current assets	**2,393,377**	–
Non-current assets	**1,920,858**	925,033
	4,314,235	925,033

The unlisted fund investments represent investments in private equity funds incorporated in the Cayman Islands. The unlisted fund investments are held for an identified long term strategic purpose. They are measured at fair value at the end of the reporting period.

During the year, the net gain in respect of changes in fair value of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$63,614,000 (period ended 2016: net loss HK$536,000). A gain of approximately HK$61,265,000 (period ended 2016: nil) was reclassified from other comprehensive income to profit or loss upon disposal during the year.

As at 31 December 2017, the carrying amount of the unlisted debt instrument and listed debt instrument which have been pledged as security for the borrowing, are United States dollar ("USD") USD62,300,000 (equivalent to HK$486,991,000) and USD50,000,000 (equivalent to HK$390,844,000) respectively.

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21. Finance Lease Receivables

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current assets	473,671	9,598
Non-current assets	1,447,928	46,298
	1,921,599	55,896

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Finance lease receivables comprise:				
Within one year	615,427	12,750	481,140	9,598
After one year but within two years	522,941	27,999	422,550	25,889
After two years but within five years	1,152,473	20,999	1,033,926	20,409
After five years	14,683	–	14,283	–
	2,305,524	61,748	1,951,899	55,896
Less: Unearned finance income	(353,625)	(5,852)	N/A	N/A
	1,951,899	55,896	1,951,899	55,896
Less: Allowance for impairment losses	(30,300)	–	(30,300)	–
Present value of lease receivables	1,921,599	55,896	1,921,599	55,896

Effective interest rate of the above finance leases is ranging from 5.90% to 10.23% per annum (2016: 5.75% per annum).

As at 31 December 2017, the gross carrying amount of the finance lease receivables which has been pledged as security for the borrowing, is Renminbi ("RMB") 41,414,000 (equivalent to HK$49,544,000).

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

	Individually assessed allowance HK$'000	Collectively assessed allowance HK$'000	Total HK$'000
As at 31 December 2016	–	–	–
Provided for the year	–	29,278	29,278
Exchange difference arising on translation of foreign operations	–	1,022	1,022
As at 31 December 2017	–	30,300	30,300

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22. Loan Receivables

The following is an analysis of loan receivables at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Loan receivables	**2,038,892**	29,927
Less: Provision for impairment losses	**(31,232)**	–
	2,007,660	29,927
Analysed for reporting purpose as:		
Current assets	**971,257**	29,927
Non-current assets	**1,036,403**	–
	2,007,660	29,927

As at 31 December 2017, loan receivables included loans to independent third parties which are secured and/or backed by guarantees and collaterals, with contractual maturity ranging from approximately two months to three years from 31 December 2017. The above loan receivables bore fixed interest rates ranging from 7% to 15% per annum (2016: 9% per annum). As at 31 December 2017, loan receivables with carrying amount of approximately HK$1,930,664,000 (2016: HK$29,927,000) are secured by land in the PRC, listed equity issued by a company listed in Hong Kong and unlisted equity. The remaining carrying amount of approximately HK$76,996,000 (2016: nil) represents an unsecured loan receivable. Loan receivables that are individually not significant or assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. The directors of the Company believe that the allowances for impairment are sufficient.

Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral 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.

As at 31 December 2017, the Group has concentration of credit risk as 97% (2016: 100%) of the total loan receivables was due from the Group's five largest borrowing customers.

Interest income derived from loan receivables was recognised as "interest income from loan receivables".

Movements in the allowances for impairment are as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
At beginning of year/period	**–**	–
Provision for impairment losses	**30,681**	–
Exchange difference arising on translation of foreign operations	**551**	–
At end of year/period	**31,232**	–

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22. Loan Receivables (continued)

Loan receivables are netted off by allowances for impairment of HK$31,232,000 (2016: nil) which are collective allowance. No further impairment allowance was considered necessary based on the Group's evaluation of collectability.

There are no loan receivables that are past due but not impaired.

23. Financial Assets Classified as Receivables

	2017 HK$'000	2016 HK$'000
Unlisted debt instruments	**192,182**	294,306
Less: Provision for impairment losses	**(2,883)**	–
	189,299	294,306

On 14 October 2016, as part of the transaction of the purchase of the debt instruments, the issuer of the debt instruments has issued unlisted warrant to the Group at nil consideration. The warrant entitled the Group to subscribe for 7,778,824 shares in an issuer of the debt instruments in Hong Kong at a pre-determined price ending on the date falling 36 months from the issue date. Details of the fair value of the warrant are disclosed in note 46(c).

The debt instruments are freely transferrable and secured by guarantees and collaterals. Regular reviews on the receivables are conducted by the risk management department based on the latest status of the receivables, and the latest announced or available information about the borrowers and the underlying collateral held.

Movements of provision for collective impairment losses on during the year/period are as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
At beginning of year/period	**–**	–
Provision for impairment losses	**2,883**	–
At end of year/period	**2,883**	–

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24. Financial Assets Designated at Fair Value through Profit or Loss

	2017 HK$'000	2016 HK$'000
Assets		
Non-current		
– Unlisted fund investment *(Note(i))*	**251,929**	–
Current		
– Unlisted fund investments *(Note (i))*	**500,280**	89,434
– Unlisted convertible bond *(Note (ii))*	**639,441**	128,027
	1,139,721	217,461

Notes:

(i) The unlisted fund investments represent investment in different private equity funds. The unlisted fund investment is designated at fair value through profit or loss at initial recognition which is managed and its performance is evaluated on a fair value basis. The unlisted fund investments are measured at fair value at the end of the reporting period.

(ii) The fair value of the convertible bonds were determined by independent valuers not connected to the Group. Details of valuation model are disclosed in note 46(c).

25. Held for Trading Investments

	2017 HK$'000	2016 HK$'000
Assets		
Listed investments:		
– Equity securities listed in Hong Kong and Australia	**467,919**	201,940
– Debt securities	**1,364,907**	–
Unlisted investments:		
– Warrant *(Note)*	**713**	153
– Put options on equity securities *(Note)*	**129,477**	26,669
	1,963,016	228,762
Liability		
– Foreign exchange forward contracts	**(17,384)**	–

Note:

The fair value of the put options and warrant on equity securities were determined by independent valuers not connected to the Group. Details of valuation model are disclosed in Note 46.

As at 31 December 2017, all listed debt instruments have been pledged as security for the borrowing.

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

	2017 HK$'000	2016 HK$'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**824,378**	2,067,704
Less: progress billings	**(765,848)**	(2,038,866)
	58,530	28,838
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**62,369**	43,840
Amounts due to customers for contract work	**(3,839)**	(15,002)
	58,530	28,838

27. Trade and Other Receivables

The following is an analysis of trade and other receivables at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Trade receivables *(Note (i))*	**82,657**	145,065
Deposits, prepayments and other receivables	**64,600**	14,111
	147,257	159,176
Retention receivables	**60,540**	76,675
Less: Provision for impairment loss on retention receivables *(Note (ii))*	**(15,000)**	–
	45,540	76,675
Trade and other receivables	**192,797**	235,851

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27. Trade and other Receivables (continued)

Notes:

(i) Trade receivables are normally due within 30 days (2016: within 14 days to 60 days) from the date of billing. The following is an aged analysis of trade receivables, presented based on the invoice date (or date of revenue recognition, if earlier) at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Within 1 month	81,572	18,008
1 to 3 months	1,085	63,229
Over 3 months	–	63,828
	82,657	145,065

At 31 December 2017 and 2016, none of the trade receivables was individually determined to be impaired.

The aged analysis of trade receivables which were past due but not impaired is set out below:

	2017 HK$'000	2016 HK$'000
Less than 1 month past due	1,085	46,805
1 to 3 months past due	–	40,689
Over 3 months past due	–	54,101
	1,085	141,595

Trade receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Trade receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(ii) The movements in provision for impairment loss of retention receivables are as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
At beginning of year/period	–	–
Provision for impairment loss, net	15,000	–
At end of year/period	15,000	–

28. Deposits in Other Financial Institutions

The amounts represented deposits placed with securities brokers for trading securities and carried interest at prevailing market rates.

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29. Bank Balances and Cash

	2017 HK$'000	2016 HK$'000
Cash and balances with banks	552,884	1,452,372
Pledged bank deposits	953,658	–
	1,506,542	1,452,372
Less: Pledged deposits for bank loans *(Note 32)*	(953,658)	–
Cash and cash equivalent	552,884	1,452,372

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.

30. Trade and Other Payables

The following is an analysis of trade and other payables at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Trade payables from foundation and substructure construction services	88,094	137,826
Retention money payables	32,940	29,299
Other payables, accruals and others	134,351	67,808
	255,385	234,933

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Within 1 month	23,177	31,854
1 to 3 months	23,305	22,234
3 to 6 months	1,577	9,904
Over 6 months	40,035	73,834
	88,094	137,826

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.

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31. Obligations under Finance Leases

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**7,692**	7,633
Non-current liabilities	**5,637**	5,362
	13,329	12,995

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 (2016: 3 years). Interest rates underlying all obligations under finance leases are fixed at respective contract rates ranging from 2.60% to 4.80% (2016: 1.45% to 4.80%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:				
Within one year	**7,965**	7,973	**7,692**	7,633
Within a period of more than one year but not more than two years	**2,906**	5,259	**2,795**	5,163
Within a period of more than two years but not more than five years	**2,890**	200	**2,842**	199
	13,761	13,432	**13,329**	12,995
Less: future finance charges	**(432)**	(437)	**N/A**	N/A
Present value of lease obligations	**13,329**	12,995	**13,329**	12,995
Less: Amounts due for settlement within twelve months (shown under current liabilities)			**(7,692)**	(7,633)
Amounts due for settlement after twelve months			**5,637**	5,362

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.

As at 31 December 2017, finance leases of approximately HK$2,681,000 (2016: HK$6,927,000) were secured by the corporate guarantee issued by the Company. As at 31 December 2016, finance lease of approximately HK$461,000 was also jointly guaranteed by a director of the Company and a director of a Hong Kong subsidiary.

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32. Interest-bearing Borrowings

	2017 HK$'000	2016 HK$'000
Bank overdrafts	**655,403**	–
Bank loans	**7,177,873**	–
	7,833,276	–
Other loans	**3,213,304**	2,735,958
	11,046,580	2,735,958
Secured	**2,300,353**	–
Unsecured	**8,746,227**	2,735,958
	11,046,580	2,735,958
The carrying amounts of the above borrowings are repayable*:		
On demand or within one year	**8,102,639**	320,000
Within a period of more than one year but not exceeding two years	**689,773**	–
Within a period of more than two years but not exceeding five years	**1,412,733**	1,581,174
Within a period of more than five years	**841,435**	834,784
	11,046,580	2,735,958
Less: Amounts due within one year shown under current liabilities	**(8,102,639)**	(320,000)
Amounts due from settlement after 12 months and shown under non-current liabilities	**2,943,941**	2,415,958

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The secured borrowings as at 31 December 2017 consist of (a) bank loans of RMB680,000,000 (equivalent to approximately HK$813,485,000) secured by the Group's pledged bank deposit of approximately USD122,000,000 (equivalent to approximately HK$953,658,000); (b) bank loan of RMB41,610,000 (equivalent to approximately HK$49,778,000) secured by a finance lease receivable; (c) bank loan of USD100,000,000 (equivalent to approximately HK$781,687,000) secured by debt investments of which the carrying amounts are USD112,300,000 (equivalent to approximately HK$877,835,000); and (d) bank overdrafts of approximately HK$655,403,000 secured by debt investments with carrying amounts of approximately HK$1,364,907,000.

The Group has other loans from (a) its intermediate holding company, CHIH, amounting to USD300,000,000 (approximately HK$2,345,061,000) (2016:USD300,000,000, approximately HK$2,326,524,000); (b) an Executive Director of the Company, Mr. Kwan Wai Ming ("Mr. Kwan"), amounting to HK$22,500,000 (2016: HK$31,500,000); (c) a director of a subsidiary of the Company, Mr. Leung Kam Chuen ("Mr. Leung"), amounting to HK$27,500,000 (2016: HK$38,500,000); (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 (2016: HK$250,000,000); and (e) a fellow subsidiary of the Company, amounting to RMB340,000,000 (approximately HK$406,742,000) (2016:RMB80,000,000, approximately HK$89,434,000) and RMB135,000,000 (approximately HK$161,501,000) (2016: nil). All of the above other loans are unsecured and for the expansion of the Group's business purpose.

As at 31 December 2017, the Group's borrowings bear fixed interest rates ranging from 3.00% to 6.50% per annum (2016: 3.00% to 6.30% per annum), and variable interest rates ranging from 2.34% to 3.83% per annum (2016: nil).

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33. Amounts Due from (to) the Immediate Holding Company, an Intermediate Holding Company and the Fellow Subsidiaries

The balances with the immediate holding company, an intermediate holding company and the fellow subsidiaries are non-trade in nature which are unsecured, interest-free and repayable on demand.

34. Deferred Tax Liabilities

The followings are the major deferred tax (liabilities) assets recognised and movements thereof year ended 31 December 2017 and the period from 1 April 2016 to 31 December 2016:

	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses HK$'000	Financial assets at FVTPL HK$'000	Others HK$'000	Total HK$'000
At 1 April 2016	(12,113)	5,113	–	(789)	(7,789)
Credited (charged) to profit or loss	2,625	(1,308)	–	(276)	1,041
At 31 December 2016	(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)**

As at 31 December 2017, the Group has unused estimated tax losses of approximately HK$23,059,000 (2016: HK$23,059,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of such tax losses. No deferred tax asset has been recognised in respect of the remaining HK$108,156,000 (2016: HK$89,132,000) due to the unpredictability of future profit streams. The loss can be carried forward against future taxable income indefinitely.

As at 31 December 2017, the Group had deductible temporary differences of approximately HK$79,054,000 (2016: HK$1,212,000) where no deferred tax assets had been recognised due to the unpredictability of future profits streams.

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35. Share Capital

	Number of shares '000	Total value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2016	2,000,000	2,000
Increase in the period	18,000,000	18,000
At 31 December 2016 and 2017	20,000,000	20,000
Issued and fully paid:		
At 1 April 2016	1,030,000	10,300
Issue of new shares upon placing	206,000	2,060
At 31 December 2016	1,236,000	12,360
Issue of new shares upon placing *(Note)*	580,000	5,800
At 31 December 2017	**1,816,000**	**18,160**

Note:

Pursuant to the subscription, the subscription shares have been duly allotted and issued to 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.

36. Reserves

The amounts of the Group's reserves and the movements therein for the current year and prior periods are presented in the consolidated statement of changes in equity on page 61 of this report.

37. Perpetual Capital Instruments

Movement of the perpetual capital instruments is as follows:

	Principal HK$'000	Distribution HK$'000	Total HK$'000
As at 31 December 2016	–	–	–
Issuance of perpetual capital bond *(Note)*	1,266,333	–	1,266,333
As at 31 December 2017	**1,266,333**	**–**	**1,266,333**

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) to Blossom Direction Limited, the fellow subsidiary of the Company. The perpetual capital bond is classified as equity instruments, there is no maturity of the instruments 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 shall be made at the distribution rate as set out in the subscription agreement.

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38. Operating Lease Commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	83,605	38,177
In the second to fifth year inclusive	328,082	133,385
After fifth year	45,165	–
	456,852	171,562

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 seven years (2016: one to five years).

39. Capital Commitment

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	49,866	15,072

40. Share-based Payment Transactions

Pursuant to the written resolutions of the sole 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.

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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% (2016: 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 2017, 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$5,465,000 (period ended 2016: HK$2,847,000).

42. Reconciliation of Assets and Liabilities Arising from Financing Activities

The table below details changes in the Group's assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and 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				
	As at 1 January 2017 HK$'000	Financing cash flows HK$'000	Finance costs HK$'000	New finance leases HK$'000	Issue of perpetual capital instrument HK$'000	Foreign exchange HK$'000	As 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
Amount due to a fellow subsidiary	–	9,085	–	–	–	–	9,085
Amount due from a fellow subsidiary	–	1,171,134	–	–	(1,266,333)	–	(95,199)
Amounts due to related parties	7,982	4,220	–	–	–	–	12,202
Total	2,765,562	9,258,066	229,845	8,848	(1,266,333)	7,900	11,003,888

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43. Reconciliation to the Net Cash Used in Operating Activities

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	394,205	178,353
Adjustments for:		
Finance costs	229,845	49,504
Provision for impairment losses on financial assets	77,842	–
Bad debts on trade receivables of construction services	8,741	–
Bad debts recovery on trade receivables of construction services	(580)	–
Depreciation	36,171	27,829
Net gain on disposal of plant and equipment	(8,594)	(631)
Loss on write-off of plant and equipment	–	81
Bank interest income	(9,674)	(3,965)
Net unrealised gain on fair value change of financial assets and liabilities	(162,330)	(59,372)
Net realised gain on disposal of investments	(104,795)	(7,954)
Dividend income	(71,147)	(88,641)
Interest income from financial assets	(216,689)	(5,072)
Operating cash flows before movements in working capital	172,995	90,132
Increase in amounts due from customers for contract work	(18,529)	(12,904)
Decrease (increase) in trade and other receivables	56,894	(51,523)
Increase in rental deposit	(28,277)	–
Decrease (increase) in financial assets classified as receivables	100,726	(294,306)
Increase in finance lease receivables	(1,892,084)	(55,725)
Increase in loan receivables	(2,008,965)	(29,927)
Increase in held for trading investments	(1,546,902)	(166,739)
Increase in deposit in other financial institutions	(115,245)	(31,096)
Decrease in amounts due to customers for contract work	(11,163)	(21,653)
Increase in trade and other payables	11,258	60,209
Increase in deposit from finance lease customers	65,455	–
Cash used in operations	(5,213,837)	(513,532)
Income taxes paid	(40,853)	–
Dividend received	71,147	88,641
Interest income received from financial assets	179,687	5,072
Bank interest income received	9,674	3,582
NET CASH USED IN OPERATING ACTIVITIES	(4,994,182)	(416,237)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

44. Related Party Transactions

Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related part 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 since 27 July 2016
Ms. Lin Changhua	Executive Director of the Company (resigned from 31 October 2017)
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

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 2017. 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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44. Related Party Transactions (continued)

(b) During the year, the Group entered into the following transactions with related parties:

	Notes	**1 January 2017 to 31 December 2017 HK$'000**	1 April 2016 to 31 December 2016 HK$'000
Management fee income received from			
– Right Select	*(i)*	**2,800**	933
Expense paid on behalf of			
– Executive Directors	*(i)*	**256**	100
Recharge of office rent, rates and management fee by			
– Group Team Limited	*(i)*	**(3,266)**	(2,464)
Operating lease payments of motor vehicles to			
– Fortune Famous	*(i)*	**(477)**	(405)
– HKGG	*(i)*	**(468)**	(351)
Interest expense paid/payable to			
– CHIH	*(i)*	**(113,036)**	(39,441)
– Mr. Leung	*(i)*	**(896)**	(1,074)
– Mr. Kwan	*(i)*	**(733)**	(879)
– Acute Peak	*(i)*	**(5,404)**	(5,384)
– 華融晟遠江西	*(i)*	**(14,334)**	–

Note:

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

44. 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	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Immediate holding company					
Right Select		**2,800**	933	**–**	–
Intermediate holding company					
CHIH		**–**	–	**8,696**	8,627
Fellow subsidiaries					
華融晟遠江西		**–**	–	**9,085**	–
Blossom Direction Limited		**95,199**	–	**–**	–
Wonder Global Group Limited		**2,823**	–	**–**	–
Pure Heart Group Limited		**2,823**	–	**–**	–
Others		**120**	–	**–**	–
		100,965	–	**9,085**	–
Related parties					
Acute Peak		**–**	–	**10,787**	5,384
Fortune Famous		**–**	–	**20**	45
HKGG		**–**	161	**39**	–
Mr. Leung		**–**	–	**716**	1,374
Mr. Kwan		**–**	–	**640**	1,179
Executive Directors	*(i)*	**26**	100	**–**	–
		26	261	**12,202**	7,982
		103,791	1,194	**29,983**	16,609

The 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$30,000 (period ended 2016: HK$100,000).

(d) Guarantee from related parties

At 31 December 2016, obligation under finance leases of approximately HK$461,000 was jointly guaranteed by Mr. Leung and Mr. Kwan.

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For the year ended 31 December 2017

44. Related Party Transactions (continued)

(e) 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 period were as follows:

	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000
Short-term benefits	17,767	10,656
Post-employment benefits	528	183
	18,295	10,839

45. 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 period.

The capital structure of the Group consists of obligations under finance leases disclosed, interest-bearing borrowings, 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.

46. Financial Instruments

(a) Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Available-for-sale investments	4,314,235	925,033
Financial assets designated at fair value through profit or losses	1,391,650	217,461
Held for trading investments	1,963,016	228,762
Loans and receivables	4,131,038	2,044,518
Total	11,799,939	3,415,774
Financial liabilities		
Held for trading investment	17,384	–
At amortised cost	11,327,343	2,983,657
Total	11,344,727	2,983,657

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments comprise financial assets classified as receivables, available-for-sale investments, financial assets designated at fair value through profit or loss, held for trading investments, loan receivables, 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 and interest-bearing borrowings. Details of the financial instruments are disclosure in respective notes.

The risks associated with these financial instruments include currency risk, interest rate risk, 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 consultancy service by operating entities in currencies other than the entities' functional currency.

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	**2017 HK$'000**	2016 HK$'000
Finance lease receivables	RMB	**1,921,599**	55,896
Available-for-sale investments	USD	**2,135,333**	925,033
	RMB	**346,927**	–
Financial assets designated at fair value through profit or loss	RMB	**95,704**	89,434
Held for trading investments - assets	USD	**1,364,907**	–
Loans and receivables	RMB	**1,132,950**	229,957
	USD	**1,573,440**	644,442
Held for trading investments – liabilities	USD	**(17,384)**	–
At amortised cost	USD	**(5,236,786)**	(2,326,524)
	RMB	**(1,745,026)**	(94,257)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

46. 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. The following table illustrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit before tax.

The following table details the Group's sensitivity to a 5% (period ended 2016: 5%) decrease/increase in profit after tax if Hong Kong dollars strengthens/weakens against RMB:

	2017 HK$'000	2016 HK$'000
(Decrease) increase in profit after tax	**67,447**	10,539

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 finance lease receivables, fixed-rate loan receivables, fixed rate-financial assets classified as receivables, fixed-rate obligations under finance leases 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 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. As at 31 December 2017, if the interest rate had been 50 basis points (period ended 2016: 50 basis points) higher/lower, the Group's profit after tax would decrease/increase by HK$20,891,000 (period ended 2016: increase/decrease by HK$6,098,000).

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 (2016: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Other price risk

The Group is exposed to other price changes arising from certain available-for-sale investments and held for trading investments.

The following table demonstrates the sensitivity to a 5% (period ended 2016: 5%) increase/decrease in the relevant stock price and quoted price, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

Sensitivity analysis

For the year ended 31 December 2017

	Held for trading investments HK$'000	Available-for-sale investments HK$'000	Total HK$'000
Increase (decrease) in profit after tax	76,520	–	76,520
Increase (decrease) in other comprehensive income	–	21,851	21,851

For the period ended 31 December 2016

	Held for trading investments HK$'000	Available-for-sale investments HK$'000	Total HK$'000
Increase (decrease) in profit after tax	8,431	–	8,431
Increase (decrease) in other comprehensive income	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

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 addition, the Group reviews the recoverable amount of receivables including the finance lease receivables, loan receivables, financial assets classified as receivables and trade receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In respect of financial assets classified as receivables, the Group would assess the credit quality of each potential debts instruments and define the limits for each debts instruments. In addition, the Group reviews the recoverability of each individual debt instrument at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In respect of loan receivables and finance lease receivable, the Group would assess the credit quality and define limits for each lessee and borrower before accepting any new finance lease and loan. In addition, the Group would also monitor the repayment history of finance lease payments and loan 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 receivable and loan receivable.

Bank balances and deposit 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 counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The Group invested in unlisted convertible bonds, unlisted fund investments, unlisted put options and unlisted warrant. The credit risk of the issuers of these instruments are monitored by the Group regularly. The fair value of the unlisted convertible bonds, unlisted put options and unlisted warrant were estimated by independent professional valuers.

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For the year ended 31 December 2017

46. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk (continued)

Fellow subsidiaries and related parties consist of several counterparties. The credit risk on amounts due from fellow subsidiaries and related parties are limited because the fellow subsidiaries and related parties are with strong financial position.

Taking no account of collateral or other credit enhancements, the maximum credit exposure is the carrying amount of financial assets, which is net of impairment allowance. The maximum credit risk exposure of the Group is as follows:

	2017 **HK$'000**	2016 HK$'000
Available-for-sale investments	**2,927,883**	–
Finance lease receivables	**1,921,599**	55,896
Loan receivables	**2,007,660**	29,927
Financial assets classified as receivables	**189,299**	294,306
Trade receivables	**82,657**	145,065
Rental deposit	**28,277**	–
Deposits, retention and other receivables	**66,471**	90,558
Financial assets designated at fair value through profit or loss	**639,441**	128,028
Held for trading investments	**1,364,907**	–
Amounts due from fellow subsidiaries	**100,965**	–
Amount due from an immediate holding company	**2,800**	933
Amounts due from related parties	**26**	261
Deposits in other financial institutions	**146,341**	31,096
Bank balances and cash	**1,506,542**	1,452,372
Total	**10,984,868**	2,228,442

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

46. 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 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							
As at 31 December 2017							
Trade and other payables	–	185,325	–	–	–	185,325	185,325
Deposit 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
Amount due to a fellow subsidiary	–	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
As at 31 December 2016							
Trade and other payables	–	231,090	–	–	–	231,090	231,090
Obligations under finance leases	3.06%	7,973	5,259	200	–	13,432	12,995
Amounts due to related parties	–	16,609	–	–	–	16,609	16,609
Interest-bearing borrowings	4.61%	328,151	–	1,733,686	1,077,422	3,139,259	2,735,958
		583,823	5,259	1,733,886	1,077,422	3,400,390	2,996,652
Derivatives financial liabilities – net settlement							
As at 31 December 2017							
Foreign exchange forward contracts		17,384	–	–	–	17,384	17,384

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For the year ended 31 December 2017

46. 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. As at 31 December 2017 and 31 December 2016, the aggregate undiscounted principal amounts of these interest-bearing borrowings amounted to HK$6,199,067,000 and HK$250,000,000 respectively. 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:

	Maturity Analysis – Interest-bearing borrowings with a repayment on demand clause based on scheduled repayments					
	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	5 years or above HK$'000	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
31 December 2017	**6,320,168**	**–**	**–**	**–**	**6,320,168**	**6,199,067**
31 December 2016	252,116	–	–	–	252,116	250,000

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46. Financial Instruments (continued)

(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.

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 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
Available-for-sale investments	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
Total	–	17,384	–	17,384

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For the year ended 31 December 2017

46. 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 hierarchy as at 31 December 2016:

	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	–	89,434	128,027	217,461
Available-for-sale investments	–	–	925,033	925,033
Held for trading investments	201,940	–	26,822	228,762
Total	201,940	89,434	1,079,882	1,371,256

There were no transfers between Level 1 and Level 2 within the Group during the current year and prior period.

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 2017 HK$'000	Fair value as at 31 December 2016 HK$'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 assets classified as held for trading investments	Listed equity securities: 467,919	Listed equity securities: 201,940	Level 1	*Note (i)*	N/A	N/A
2) Financial assets classified as held for trading investments	Listed debt instruments: 1,364,907	Listed debt instruments: nil	Level 1	*Note (i)*	N/A	N/A
3) Financial assets classified as held for trading investments	Unlisted put options: 129,477	Unlisted put options: 26,669	Level 3	*Note (v)*	Volatility ranging from 39.73% to 56.50% (31 December 2016: 32.06%)	5% increase/decrease in volatility: HK$500,000/(HK$477,000) (31 December 2016: HK$1,052,000/ (HK$1,079,000))
4) Financial assets classified as held for trading investments	Unlisted warrant investment: 713	Unlisted warrant investment: 153	Level 3	*Note (v)*	Volatility: 45.26% (31 December 2016: 34.69%)	5% increase/decrease in volatility: HK$87,000/(HK$84,000) (31 December 2016: HK$34,000/(HK$31,000))

46. 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 2017 HK$'000	Fair value as at 31 December 2016 HK$'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
5)	Financial assets designated at fair value through profit or loss	Unlisted fund investments: 95,704	Unlisted fund investments: 89,434	Level 2	*Note (ii)*	N/A	N/A
6)	Financial assets designated at fair value through profit or loss	Unlisted convertible bonds: 639,441	Unlisted convertible bond: 128,027	Level 3	*Note (iii) and (v)*	Volatility ranging from 25% to 45.72% (31 December 2016: 40.74%)	5% increase/decrease in volatility: HK$1,876,000/(HK$1,729,000) (31 December 2016: HK$770,000/(HK$1,396,000))
						Discount rate ranging from 9.65% to 22.75% (31 December 2016: 18.72%)	5% increase/decrease in discount rate: (HK$2,355,000)/HK$2,406,000 (31 December 2016: (HK$895,000)/HK$931,000)
7)	Financial assets designated at fair value through profit or loss	Unlisted fund investments: 656,505	Unlisted fund investments: nil	Level 3	*Note (iv)*	Net asset value	5% increase/decrease in net asset value: HK$32,825,000/ (HK$32,825,000) (31 December 2016: nil)
8)	Financial assets classified as available-for-sale investments	Listed debt investments: 523,387	Listed debt investments: nil	Level 1	*Note (i)*	N/A	N/A
9)	Financial assets classified as available-for-sale investments	Unlisted debt investments: 2,404,497	Unlisted debt investments: nil	Level 3	*Note (iii)*	Discount rate	5% increase/decrease in discount rate (HK$14,655,000)/ HK$14,844,000 (31 December 2016:nil)
10)	Financial assets classified as available-for-sale investments	Unlisted equity securities: 650	Unlisted equity securities: nil	Level 2	*Note (vi)*	N/A	N/A
11)	Financial assets classified as available-for-sale investments	Unlisted asset management plans: 346,927	Unlisted asset management plans: nil	Level 2	*Note (vi)*	N/A	N/A

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For the year ended 31 December 2017

46. 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 2017 HK$'000	Fair value as at 31 December 2016 HK$'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 assets classified as available-for-sale investments	Unlisted fund investments: 1,038,774	Unlisted fund investments: 925,033	Level 3	*Note (iv)*	Net asset value	5% increase/decrease in net asset value: HK$51,939,000/ (HK$51,939,000) (31 December 2016: HK$46,252,000/ (HK$46,252,000))
Financial liabilities						
13) Financial liabilities classified as held for trading investment	Foreign exchange forward contracts: 17,384	Foreign exchange forward contracts: nil	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) Net asset value of the funds calculated based on the fair value of underlying 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) Broker quotation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

46. Financial Instruments (continued)

(c) Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

Financial assets designated at fair value through profit or loss	2017 HK$'000	2016 HK$'000
At the beginning of the year/period	128,027	–
Purchases during the year/period	1,149,412	122,087
Disposal during the year/period	–	–
Fair value gain recognised in profit or losses	18,507	5,940
At the end of the year/period	1,295,946	128,027

Available-for-sale investments	2017 HK$'000	2016 HK$'000
At the beginning of the year/period	925,033	–
Purchases during the year/period	2,826,641	925,569
Disposals during the year/period	(373,940)	–
Fair value gain (loss) recognised in other comprehensive income	65,537	(536)
At the end of the year/period	3,443,271	925,033

Held for trading investments	2017 HK$'000	2016 HK$'000
At the beginning of the year/period	26,822	–
Purchases during the year/period	48,435	–
Fair value gain recognised in profit or loss	54,933	26,822
At the end of the year/period	130,190	26,822

The changes in fair value on Level 3 instruments held at 31 December 2017 for the year ended 31 December 2017 recognised in profit or loss of approximately HK$73,440,000 (period ended 2016: HK$32,762,000).

The directors of the Company consider that the carrying amounts of financial assets and liabilities measured at amortised cost recognised in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

47. Information about the Statement of Financial Position of the Company

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Plant and equipment		**16,325**	1,233
Deposit paid for acquisition of plant and equipment		**–**	2,220
Amounts due from subsidiaries		**3,666,607**	–
Investments in subsidiaries		**110,337**	–
Rental deposit		**26,953**	–
Total non-current assets		**3,820,222**	3,453
Current assets			
Other receivables		**46,531**	9,543
Amounts due from fellow subsidiaries		**95,275**	–
Amount due from the immediate holding company		**2,800**	–
Amounts due from subsidiaries		**5,839,207**	2,116,561
Amounts due from related parties		**26**	1,034
Bank balances and cash		**1,445,698**	590,510
Total current assets		**7,429,537**	2,717,648
Current liabilities			
Other payables		**28,803**	51,223
Amount due to an intermediate holding company		**8,696**	–
Interest-bearing borrowings		**6,075,350**	–
Amounts due to subsidiaries		**817,958**	1,455
Amount due to a related party		**–**	8,627
Total current liabilities		**6,930,807**	61,305
Net current assets		**498,730**	2,656,343
Total assets less current liabilities		**4,318,952**	2,659,796
Non-current liabilities			
Interest-bearing borrowings		**2,345,061**	2,326,524
Deferred tax liabilities		**185**	185
Total non-current liabilities		**2,345,246**	2,326,709
Net assets		**1,973,706**	333,087
Capital and reserves			
Share capital		**18,160**	12,360
Reserves	*(a)*	**1,955,546**	320,727
Total equity		**1,973,706**	333,087

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

47. Information about the Statement of Financial Position of the Company (continued)

Note:

(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 April 2016	150,524	7,164	(16,662)	–	141,026
Issue of new shares	183,340	–	–	–	183,340
Expense incurred in connection with the issue of new shares	(2,004)	–	–	–	(2,004)
Loss and total comprehensive expenses for the period	–	–	(1,635)	–	(1,635)
At 31 December 2016	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
Profit and 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**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

48. Particulars of Principal Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2017 and 31 December 2016 are as follow:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company Directly As at 31 December 2017	2016	Indirectly As at 31 December 2017	2016	Principal activities
Ace Ornate Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Ample Key Investments Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Atlantic Star Global Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Auto Brave Limited	BVI	Ordinary	USD1	100%	100%	–	–	Investment holding
Big Thrive Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Bloom Right Limited	BVI	Ordinary	USD1	–	–	100%	100%	Securities trading and investments
Cherry Plus Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Chun Sing Engineering Company Limited	Hong Kong	Ordinary	HK$10,000	–	–	100%	100%	Construction and engineering
Chun Sing Machinery Company Limited	Hong Kong	Ordinary	HK$60,000	–	–	100%	100%	Machinery leasing
Clever Robust Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Coastal Star Investments Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Coastal Treasure Limited	BVI	Ordinary	USD1	–	–	100%	100%	Securities trading and investment
Dazzling Elite Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Ideal Trader Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Jade Coronet Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding

Notes to the Consolidated Financial Statements

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48. Particulars of Principal Subsidiaries of the Company (continued)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Issued and fully paid share capital	Percentage of equity interest attributable to the Company				Principal activities
				Directly		Indirectly		
				31 December 2017	31 December 2016	31 December 2017	31 December 2016	
Star Ace Holdings Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Star Lavish Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Sveta Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Unique Rosy Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
Wealth Channel Global Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Wise United Holdings Limited	BVI	Ordinary	USD1	–	–	100%	100%	Investment holding
Unique Rosy Limited	BVI	Ordinary	USD1	–	–	100%	–	Investment holding
華融晟遠(北京)投資有限公司 *(Note)*	PRC	Ordinary	nil	100%	–	–	100%	Financial service and investment
中聚(深圳)融資租賃有限公司 *(Note)*	PRC	Ordinary	nil	–	–	100%	100%	Investment holding and financial leasing
新余華融晟投資有限公司 *(Note)*	PRC	Ordinary	nil	–	–	100%	100%	Financial advisory service and investment

Note: A company established in the PRC with limited liability.

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.

49. Major Non-cash Transactions

During the year ended 31 December 2017, the Group entered into finance lease agreements in respect of plant and equipment with a total capital value at the inception of the leases of approximately HK$8,848,000 (2016: HK$13,772,000).

50. Event after the Reporting Period

On 16 January 2018, the Group entered into the subscription agreement with All-Stars General Partner I Limited (the "General Partner"), pursuant to which the Group agreed to subscribe for the interest in All-Stars Investment Private Partners Fund L.P. (the "Fund"), a Cayman Islands exempted limited partnership acting through the General Partner and commit a capital contribution of USD30 million to the Fund. Details of the transaction are disclosed in the Company's announcement dated 16 January 2018. As at the date of the consolidated financial statements, the Group has contributed approximately USD3 million in terms of the commitment.

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last four financial years/periods, as extracted from the published audited consolidated financial statements and as appropriate, is set out below.

	1 January 2017 to 31 December 2017	1 April 2016 to 31 December 2016	For the year ended 31 March		
	2017	2016	2016	2015	2014
	HK$'000	HK$'000 *(Note)*	HK$'000	HK$'000	HK$'000
Consolidated results					
Revenue	**909,683**	649,921	791,664	808,083	581,431
Profit for the year/period	**269,596**	155,817	45,536	65,771	56,821
Total comprehensive income for the year/period attributable to the owners of the Company	**302,599**	152,520	43,536	65,771	56,821

	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
Consolidated assets and liabilities					
Total assets	**13,906,988**	3,605,842	464,893	368,924	288,186
Total liabilities	**(11,544,016)**	(3,043,802)	(238,769)	(186,336)	(175,449)
Net assets	**2,362,972**	562,040	226,124	182,588	112,737

Note: The comparative figure of revenue for the period from 1 April 2016 to 31 December 2016 has been represented.

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 Period"	the period from 1 April 2016 to 31 December 2016
"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 financial year ended 31 December 2017
"%"	per cent