華融投資
HUARONG INVESTMENT

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

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

2019
ANNUAL REPORT

Contents

Corporate Information

Directors

Executive Directors
Mr. Yu Meng *(Chairman)*
Mr. Xu Xiaowu *(Chief Executive Officer)*
Mr. Chen Qinghua

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

Audit Committee
Mr. Chan Kee Huen Michael *(Chairman)*
Mr. Tse Chi Wai
Dr. Lam Lee G.

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

Remuneration Committee
Mr. Tse Chi Wai *(Chairman)*
Mr. Chan Kee Huen Michael
Mr. Xu Xiaowu

Risk Management Committee
Mr. Xu Xiaowu *(Chairman)*
Mr. Yu Meng
Dr. Lam Lee G.

Company Secretary

Mr. Leung Chin Wan

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Suite B, Levels 16-17,
Two Pacific Place, 88 Queensway,
Hong Kong

Legal Advisers as to Hong Kong Laws

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

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

Stock Code

02277

Website

www.hriv.com.hk

Chairman's Statement

Dear Shareholders,

In 2019, in view of the new situation, new requirement and complex market environment, the operational management and all employee of the Company joined hands together and strived their efforts to achieve excellence in all aspects. The Company has hit the bottom and started to rebound, presenting a healthy momentum of recovery.

BUSINESS REVIEW

The Company strived to fully enhance the management level of corporate governance. The level of corporate governance was effectively enhanced by further developing a corporate governance structure by legal person featuring clear authority and accountability, coordinated functioning and proper checks and balances. The market separation of engineering segment has competed. The Company maintained a standardized and orderly corporate governance and all works were proceeded steadily.

The adoption of assorted policies resolved project risks. Focusing on risks and resolving difficulties, the Company adopted different policies for different project risks. Project cash back was completed through different channels like debtor refinancing and replacement and disposal of collateral, which effectively resolved the project risks.

The Company drove forward the transformation of its business development. Through focusing on "two returns" under the basis of risk recovery and reduction, new project investments after the business transformation are successfully implemented. The Company strived to explore business development opportunities such as non-performing core business, restructuring business and special situations investments, so as to strengthen project reserves for business expansion.

The Company adopted different measures simultaneously to strengthen the team building among the employees. It stabilized the team by enhancing the sense of identity and centripetal force of employees towards the Company; optimized the team by developing a fair and equitable direction for personnel selection and employment; and strengthened the team by enhancing its cohesion through optimizing incentive mechanism and providing better salaries and resources to front-line and core employees.

OPPORTUNITIES AND CHALLENGES

A look on the current situation will reveal that it is affected by the COVID-19 epidemic and the domestic and global environment is complicated; China and the United States open the AMC market to each other while the 5th largest national AMC is officially approved. There will be significant changes in the distressed asset market in China. The Company's transformation and development will come to a crossroad and face various obstacles ahead. Meanwhile, as it has become obvious that the Chinese government will offer backup support for maintaining stability in the macro-economic situation, growth and employment, the implementation of counter-cyclical adjustment measures will become the main theme for a certain period of time in China, thereby rendering us more business development opportunities. In view of both opportunities and challenges, we will precisely grasp every opportunity, make proactive adjustment and respond positively.

Chairman's Statement

DEVELOPMENT OVERLOOK

In 2020, facing the COVID-19 epidemic and influences of various adverse internal and external factors, we will adhere to the main principle of making steady progression for our businesses and fully implement the work requirements of China Huarong "critical year, implementation year" and the "Five Advances" layout deployment, focusing on capacity improvement, promoting transformation and development as well as optimizing our outstanding features in full swing. On the one hand, we will focus on alternative investments of non-performing assets and precisely seize the asset investment opportunities arising from targeted investments being involved in critically stressful difficulties during the special economic cycle and the special stage in macro-environment. We will precisely exploit our capital and resource advantages to provide "Rescue" financial services by means of reverse acquisition and disposal, including securitization and structured tools acquisition and disposal. On the other hand, we put special emphasis on improving corporate governance and risk management while continuing to proceed reforms in key areas, strengthening internal management and control, building a strong team, thereby ensuring results crucial to the transformation and development of the Company.

Last but not the least, on behalf of the Board, I would like to sincerely thank all Shareholders and those from all walks of life as well as our business partners for their care and support to the Company for a long time. I would also like to express, on behalf of the Board, our appreciation and gratitude to all employees for their heartfelt contributions and strenuous efforts. The Company will consistently adhere to high-quality development and pursue value growth, proactively explore new development opportunities with vigorous efforts in a bid to staunchly promote the Company's development strategy, thereby achieving greater value for the Shareholders, customers and society.

Yu Meng
Chairman

Hong Kong, 30 March 2020

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

Continue to strengthen the business foundation and maintain stable development

In 2019, facing the fluctuation in the global financial market and the uncertainty of American policies on global economy, the Group strengthens its business foundation according to plans and maintains stable development, by way of enhancing the quality of its investment portfolios and paving the way for future development.

During the Year, the Group's revenue from continuing operations recorded a significant decrease to approximately HK$511 million, representing a decrease of approximately 44% as compared to approximately HK$911 million for the Corresponding Period. Direct investment business segment recorded a revenue of approximately HK$363 million, representing a decrease of approximately 40% as compared to approximately HK$608 million in the Corresponding Period. The revenue of financial services and other business segments was approximately HK$148 million during the Year, representing a decrease of approximately 51% as compared to approximately HK$303 million in the Corresponding Period. In addition, in order to put more emphasis on developing the Company's direct investment and financial services segments, the Group sold the entire foundation and substructure construction services segment in 2019, which contributed approximately HK$284 million gains on disposal to the Group.

During the Year, the Group recorded loss of approximately HK$927 million (Corresponding Period: profit of HK$72 million). Loss for the Year was mainly due to the increase in the impairment losses on the loan and debt instruments and finance lease receivables, and the net losses on fair value changes of financial investments during the Year.

Based on the assessment for the overall conditions of market, customers and collaterals, the Group made provisions for the investment on loan and debt instruments and finance leases receivables, amounting to approximately HK$890 million. In addition, the losses arising from the changes in financial assets at fair value through profit or loss was approximately HK$216 million, representing an increase of 29% as compared to approximately HK$167 million in the Corresponding Period. The management of the Company are of the view that the Group has already made adequate provisions for impaired investments during the Year, and consider that they will not have further material adverse impact on the Group in the future. The Group believes the current impairment provision for investments and the effects of change in fair value of a few of individual investments will cause no material impact on the long-term development of the Group.

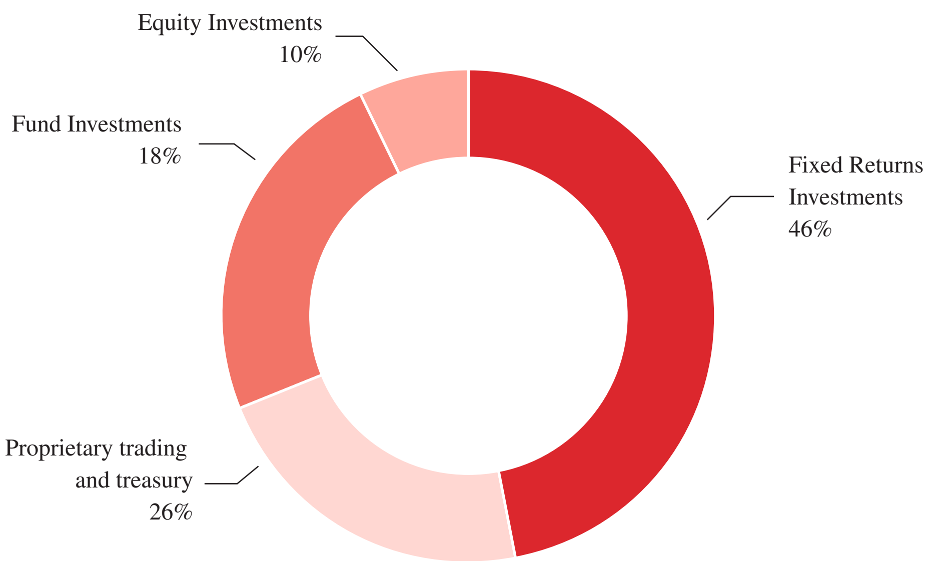
Direct Investment

Direct investment business mainly invested in equities, bonds, funds, derivative instruments and other financial products. As at 31 December 2019, the segment assets of direct investment business was approximately HK$4,070 million (31 December 2018: HK$6,511 million), representing a decrease of approximately 37% as compared with that of 31 December 2018. During the Year, segment revenues of approximately HK$363 million (the Corresponding Period: HK$608 million) and segment loss of approximately HK$894 million (the Corresponding Period: segment profit of approximately HK$89 million) were recorded.

Management Discussion and Analysis

The direct investment business of the Group is divided into four major categories, namely fixed returns investments, fund investments, equity investments and proprietary trading and treasury. Fixed returns investments mainly represented investment in private bonds, loans, convertible bonds and fixed income funds, which accounted for approximately 46% 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 accounted for approximately 18% of the total investment assets. Equity investments accounted for approximately 10% 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% 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 the stable income of the Company is guaranteed by fixed returns investment, fund and equity investments which may bring potential and remarkable profit to the Group.

Direct Investment Assets (by Investment Categories)



Financial Services and Others

Financial services and other related services mainly include provision of finance lease services, business consulting services and 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-economy, industry analysis, financial product design and other aspects for customers.

As at 31 December 2019, the segment assets of the business of the financial services and others amounted to approximately HK$1,135 million (31 December 2018: HK$1,701 million), representing a decrease of approximately 33% as compared with that of 31 December 2018. During the Year, the segment revenue of approximately HK$148 million (the Corresponding Period: HK$303 million) and the segment loss of approximately HK$169 million (the Corresponding Period: segment profit of approximately HK$144 million) were recorded.

Management Discussion and Analysis

Significant Investments

As at 31 December 2019, the Group's significant investments include the following financial assets.

Investment	Investment cost $'000	Percentage of shares/units held as at 2019.12.31	Principal business of the investee	Carrying amounts at 2019.12.31 $'000	Carrying amounts at 2018.12.31 $'000	Performance during the year: Movement during the year $'000	Performance during the year: Changes in fair value $'000	Performance during the year: Dividend income $'000	Performance during the year: Gain or loss on disposal $'000	Carrying amounts to the total assets ratio
Interest in Edge Ventrue Partners L.P. (Limited Partnership)	373,817.00	100.0%	N/A	358,296	623,942	(265,646)	(20,756)	–	–	5.6%
Secured convertible bonds issued by Freeman Fintech Corporation Limited	429,197.00	N/A	Financial services	409,120	427,889	(18,769)	(18,769)	–	–	6.4%
Loan arrangement with Qingdao Jiayaohua Real Estate Co., Ltd.	759,115.00	N/A	Real estate	460,540	765,358	(304,818)	N/A	N/A	–	7.3%

Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies

Save as disclosed on pages 17 to 18 of this Annual Report, the Company did not have any other material acquisitions or disposal of subsidiaries and affiliated companies during the Year.

Management Discussion and Analysis

PROSPECTS

In 2020, it is expected that the overall national economic conditions in China will become steady and the overall economic policy will be positively executed, and this in turn offers time and room for the Company to reduce risks and go ahead with development transformation. The Group will keep on enhancing the quality of project investment and strengthening the core competence and sustainability while increasing control and management of risks.

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

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

DEBTS AND CHARGE ON ASSETS

The total interest-bearing borrowings of the Group as at 31 December 2019 were approximately HK$4,580 million (31 December 2018: HK$7,006 million). As at 31 December 2019, the secured borrowings were approximately HK$191 million (31 December 2018: HK$307 million). The secured borrowings as at 31 December 2019 of RMB171 million (equivalent to approximately HK$191 million) are secured by a finance lease receivable.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2019, the Group's bank balances and cash and deposits in other financial institutions are approximately HK$1,017 million (31 December 2018: HK$879 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 loans from direct and indirect shareholders, loans from banks and internal resources. The gearing ratio of the Group as at 31 December 2019 (defined as total interest-bearing borrowings divided by the Group's total equity) was approximately 3.6 (31 December 2018: 3.2).

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 31 to the consolidated financial statements.

Management Discussion and Analysis

TREASURY POLICY

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

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

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 31 December 2019 and 31 December 2018.

CONTINGENT LIABILITY

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

EVENTS AFTER THE YEAR

On 27 March 2020 (after trading hours), Intrend Ventures Limited (the "Issuer"), executed the supplemental deed dated 27 March 2020 (the "Second Supplemental Deed") by way of deed poll in favour of Big Thrive Limited, an indirect wholly-owned subsidiary of the Company, as the subscriber, in relation to, among other things, the proposed amendments to the terms and conditions as set out in the Second Supplemental Deed.

For the details, please refer to the announcements of the Company dated 30 August 2017, 30 August 2019 and 27 March 2020 and the circular of the Company dated 4 October 2019.

Save as disclosed above, there were no significant events after the end of the Year.

EMPLOYEES INFORMATION

As at 31 December 2019, the Group's continuing operations had 33 staff (31 December 2018: 59). The total staff costs incurred by the Group's continuing operations for the Year were approximately HK$49,024,000 (31 December 2018: HK$81,378,000).

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

FINAL DIVIDEND

The Board did not recommend payment of final dividend to shareholders of the Company for the Year (31 December 2018: 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 Company acts as an investment holding company and the principal activities of the Company and its subsidiaries (the "Group") are (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services (which was discontinued in December 2019, please refer to note 17 to the consolidated financial statements for details).

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

Business Review

A fair review of the business of the Group, particulars of important events affecting the Group that have occurred since the end of the Year as well as discussion on the future business development of the Group are set out in the Chairman's Statement on page 3 and Management Discussion and Analysis on pages 5 to 9 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Chairman's Statement on page 3, the Management Discussion and Analysis on pages 5 to 9, and note 49 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 9 of this Annual Report. A discussion of the Group's environmental policies and performance is provided in the ESG Report on pages 40 to 58 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 58 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).

In the opinion of the Directors, the Group has complied with all the relevant laws and regulations in all material respects for the business operations of the Group during the Year except the deviation stated in the Corporate Governance Report on page 27.

Report of the Directors

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.

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 66 to 67 of this Annual Report. The Board did not declare an interim dividend for the six months ended 30 June 2019 (the six months ended 30 June 2018: nil). The Board does not recommend the payment of a final dividend for the Year (the Corresponding Year: nil).

Plant and Equipment

Details of changes in the plant and equipment of the Group during the Year are set out in note 20 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 170 of this Annual Report.

Share Capital

Details of movements in the Company's share capital during the Year are set out in note 37 to the consolidated financial statements.

Reserves

Details of movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on pages 70 of this Annual Report.

As at 31 December 2019, the Group has no reserves 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.

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.

Report of the Directors

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.

Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

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.

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 (full-time 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 total number of issued Shares 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 total number of issued Shares 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.

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 four years.

Report of the Directors

No share options were granted since the adoption of the Share Option Scheme and there are no outstanding share options as at 31 December 2019. 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 number of issued Shares as at the date of this Annual Report. A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix IV to the prospectus of the Company dated 15 December 2014.

Directors

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

Executive Directors

Mr. Yu Meng *(Chairman)*
Mr. Xu Xiaowu *(Chief Executive Officer)* (Appointed on 8 July 2019)
Mr. Chen Qinghua (Appointed on 9 December 2019)
Mr. Zhang Fan (Resigned on 17 April 2019)
Mr. Liu Xiguang (Resigned on 8 July 2019)
Mr. Kwan Wai Ming (Resigned on 17 September 2019)

Non-Executive Directors

Ms. Lin Xueqin (Resigned on 8 July 2019)
Ms. Zhao Yingxuan (Appointed on 8 July 2019 and resigned on 9 December 2019)

Independent Non-Executive Directors

Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian (Resigned on 24 May 2019)

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

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

Directors' Service Contract

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

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

Report of the Directors

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 2019, 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.

Directors' Rights to Acquire Shares or Debentures

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

Directors' Interests in Competing Business

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

Substantial Shareholders' Interests in Shares and Underlying Shares

So far as is known to the Directors and the chief executive of the Company, as at 31 December 2019, 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:

Report of the Directors

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 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)*	437,545,000	24.09%
Jia Tianjiang	Interest of controlled corporation *(Note 2)*	437,545,000	24.09%
Dong Jufeng	Interest of spouse *(Note 2)*	437,545,000	24.09%
Shinning Rhythm Limited	Person having a security interest in shares *(Note 3)*	437,545,000	24.09%
China Huarong Overseas Investment Holdings Co., Limited	Security interest of controlled corporation *(Note 3)*	437,545,000	24.09%
Huarong Huaqiao Asset Management Co., Ltd.	Security interest of controlled corporation *(Note 3)*	437,545,000	24.09%
Huarong Zhiyuan Investment & Management Co., Ltd.	Security interest of controlled corporation *(Note 3)*	437,545,000	24.09%
China Huarong	Interest of controlled corporation *(Note 1)*	926,042,000	50.99%
	Security interest of controlled corporation *(Note 3)*	437,545,000	24.09%

Notes:

1. The 926,042,000 Shares were beneficially owned by Right Select which is wholly owned by CHIH which is in turn owned as to 1.8% by Huarong Zhiyuan Investment & Management Co., Ltd., 13.4% by Huarong Real Estate Co., Ltd. and 84.8% by China Huarong. Therefore, China Huarong was deemed or taken to be interested in all the Shares beneficially owned by Right Select by virtue of the SFO.

2. The 84,170,000 Shares were beneficially owned by Tian Yuan Investment Holdings Co., Limited which is in turn wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd. The 353,375,000 Shares were beneficially owned by China Tian Yuan Asset Management Limited which 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 which is in turn wholly owned by Ningxia Tianyuan Manganese Industry Co., Ltd, a company that Mr. Jia Tianjiang owns 99.88% of its interest. All these companies, Mr. Jia Tianjiang and his spouse, Ms. Dong Jufeng, are deemed to be interested in those Shares by virtue of SFO.

3. Based on the notifications filed to the Company, 353,375,000 Shares and 84,170,000 Shares were pledged to Shinning Rhythm Limited respectively. Shinning Rhythm Limited is wholly owned by China Huarong Overseas Investment Holdings Co., Limited which is in turn wholly owned by Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd., which is a wholly owned subsidiary of China Huarong. As all these companies were deemed or taken to be interested in all the security interest in 437,545,000 Shares by virtue of the SFO, and therefore China Huarong was deemed to have approximately 75.09% of interest in the Company as at 31 December 2019.

Report of the Directors

Major Customers and Suppliers

The percentages of the Group's purchases and revenue (including the continuing operations and discontinued operation) attributable to major suppliers and customers during the Year ended 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Percentage of purchase		
From the largest supplier	**20.23%**	14.28%
From the five largest suppliers in aggregate	**49.73%**	46.25%
Percentage of revenue		
From the largest customer	**40.54%**	9.85%
From the five largest customers in aggregate	**64.91%**	36.64%

None of the Directors, their close associates or any Shareholders who owned more than 5% of the total number of issued Shares (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 48 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.

Major and Connected Transactions

On 27 September 2019 (after trading hours), the Company and Acute Peak Investments Limited (the "Purchaser") entered into the share purchase agreement in relation to the disposal of the entire issued share capital of Auto Brave Limited, a wholly-owned subsidiary of the Company (the "Target Company") (the "Disposal"), pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Company at the consideration of HK$290,000,000.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Report of the Directors

Furthermore, the Purchaser is owned as to (a) 50% by Mr. Kwan Wai Ming, a former executive Director in the last 12 months prior to the Disposal and a director of the Target Company and its subsidiaries; and (b) 50% by Mr. Leung Kam Chuen, a director of the Target Company and its subsidiaries, and is therefore a connected person of the Company. As such, the Disposal also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Target Company is principally engaged in the foundation business through its operating subsidiaries incorporated in Hong Kong. For the two years ended 31 December 2017 and 2018, the Target Company recorded net losses of approximately HK$13.4 million and HK$20.1 million, respectively, and its revenue for the same periods amounted to approximately HK$303.6 million and HK$585.5 million, respectively, representing approximately 33.37% and 39.13% of the Group's revenue for the respective periods. In addition, as at 31 December 2017 and 2018, the total assets of the Target Company amounted to approximately HK$582.8 million and HK$600.2 million, respectively, representing approximately 4.2% and 5.8% of the Group's total assets, respectively.

The net losses from the foundation business are mainly attributable to (i) intensive peer competition; (ii) increase in related costs; and (iii) fluctuations of the market condition, in each case in the foundation and substructure construction industry, associated with substantial uncertainties in terms of the overall local economic landscape in Hong Kong. The Directors are of the view that the foregoing adverse effects will continue with no sight of recovery in the near future.

As the foundation business has been continuously loss-making for the past two years while the Group has established a robust and expanding footprint in terms of the remaining business, the Directors are of the opinion that the Disposal would enable the Group to (i) deepen business segment consolidation and optimization that in turn spur the remaining business; and (ii) generate one-off net gain on Disposal to improve the Company's financial results and reduce its gearing ratio.

The Directors consider that the remaining business is the major source of profit for the Group, especially after China Huarong, through its indirect wholly-owned subsidiary, Right Select, increased its shareholding to 50.99% of the total number of issued shares of the Company in February 2017, which enabled the Company to capitalize on China Huarong's extensive experience, strong brand name and expansive network across the financial sector in order to strengthen the Group's brand awareness and competitiveness in the financial industry.

The principal terms of the Disposal are set out below.

Date: 27 September 2019

Parties: (i) the Company as vendor; and

(ii) the Purchaser as purchaser

Subject Matter: Pursuant to the share purchase agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Company.

Report of the Directors

Consideration: As at 27 September 2019, the Group (excluding the the Target Company and its subsidiaries (the "Disposal Group")) owes a total amount of HK$311,797,945 to the Disposal Group, which is repayable on demand (the "Intra-Group Loan"). The Company undertakes to repay HK$21,797,945 of the Intra-Group Loan to the Disposal Group within five business days of the share purchase agreement. The consideration is HK$290,000,000, which shall be settled at Completion in the following manner:

(a) the Company shall procure its subsidiaries (excluding the Disposal Group), and the Purchaser shall procure the Disposal Group, to execute any such document, do all such things and take all such steps as necessary to novate of all repayment obligations in connection with the outstanding balance of HK$290,000,000 of the Intra-Group Loan (the "Assigned Intra-Group Loan Balance") to the Company and to assign all of the Disposal Group's rights and benefits to the repayment of the Assigned Intra-Group Loan Balance to the Purchaser; and

(b) the Purchaser's obligations to pay the consideration, being HK$290,000,000, to the Company shall be set off in full against the Group's obligations to repay the Assigned Intra-Group Loan Balance.

The consideration was arrived at after arm's length negotiation between the Company and the Purchaser.

Having taken into account the above factors, the Directors (excluding the independent non-executive Directors whose opinions have been set out in the letter from the independent board committee which included in the circular of the Company dated 2 December 2019) are of the view that the Disposal is carried out on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The conditions under the share purchase agreement have been fulfilled and completion took place on 9 December 2019.

Details were set out in the announcements of the Company dated 27 September 2019, 9 December 2019 and the circular of the Company dated 29 November 2019.

Continuing Connected Transactions

On 15 March 2019, Chun Sing Engineering Company Limited ("Chun Sing"), an indirectly wholly-owned subsidiary of the Company, as tenant, and Group Team Limited, a company 50% owned by Mr. Kwan Wai Ming, a former executive Director and a director of certain subsidiaries of the Group, and Mr. Leung Kam Chuen, a director of certain subsidiaries of the Group, respectively, as landlord (the "Landlord"), entered into the tenancy agreement in respect of the leasing of the premises (the "Tenancy Agreement").

Both Mr. Kwan Wai Ming and Mr. Leung Kam Chuen were connected persons of the Company and the transaction contemplated under the Tenancy Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the proposed annual caps exceed HK$3,000,000 and one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the proposed annual caps under the Tenancy Agreement was more than 0.1% but less than 5%, the transaction contemplated under the Tenancy Agreement is subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of the Directors

Chun Sing is principally engaged in the foundation and substructure construction services. The location and size of the premises is suitable for the operation of Chun Sing and is also beneficial to the Group as a whole in terms of saving administrative cost and renovation cost. The Tenancy Agreement was agreed after arm's length negotiations by making reference to, among other things, (i) the current market rentals and management fees payable for similar properties and car-parking spaces; and (ii) the availability of such properties and car-parking spaces. The Company considers it to be commercially necessary and beneficial to enter into the Tenancy Agreement.

The principal terms of the Tenancy Agreement are set out below.

Date:	15 March 2019
Parties:	(i) Chun Sing as tenant; and (ii) the Landlord as landlord
Premises:	Offices C, D, E, F and G on 38th Floor and car-parking spaces no. P14, P15, P16, P17 and P24 on 5th Floor of Montery Plaza, 15 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong
Tenancy Term:	17 March 2019 to 16 March 2020
Usage:	The premises shall only be used for office purpose only
Rental and management fee:	Chun Sing shall pay (i) the rental of HK$280,665 per month and (ii) the management fee of HK$15,371.60 per month (subject to revision from time to time by management office). According to the Tenancy Agreement, the rental is payable in advance on the first commencing day of each and every month. Chun Sing shall be responsible for the management fee and other miscellaneous payments during the tenancy term in respect of the premises.

Chun Sing is the subsidiary of Auto Brave Limited which was sold to Acute Peak Investments Limited according to the share purchase agreement dated 27 September 2019 entered into between the Company and Acute Peak Investments Limited. Following the completion of the above share purchase agreement on 9 December 2019, Chun Sing has ceased to be a subsidiary of the Company. Therefore, the Tenancy Agreement ceased to be the continuing connected transaction of the Company.

Details were set out in the announcements of the Company dated 15 March 2019, 27 September 2019, 23 October 2019 and 25 November 2019 and the circular of the Company dated 2 December 2019.

Save as otherwise disclosed, 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 during the Year.

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 2019 are set out in note 31 to the consolidated financial statements.

Retirement Benefits Plans

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

Public Float

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

Events After the Year

Details of the significant events after the Year of the Group are set out in Management Discussion and Analysis on page 9 of this Annual Report.

Disclosure Under Rule 13.21 of the Listing Rules

– On 13 August 2019, the Company (as borrower) signed a revolving short term advance facility letter and a treasury facility letter with a bank for up to an aggregate amount of US$15,000,000 (or its equivalent amount in other major foreign currencies) and US$5,000,000 respectively. The terms of the facilities shall be subject to the bank's annual review on 30 June each year.

  Under the revolving short term advance facility letter and treasury facility letter, as long as the facilities remain outstanding, China Huarong should, among other, remain as the majority shareholder of the Company. As at the date of this Annual Report, China Huarong beneficially owns approximately 50.99% of the total number of issued shares of the Company.

– On 21 November 2019, the Company (as borrower) signed a short term revolving facility letter with a bank for an aggregate amount of USD10,000,000 (or its equivalent amount in HKD, EUR or RMB). The term of the facility is one year.

  Under the short term revolving facility letter, (i) China Huarong, the controlling shareholder of the Company, should directly or indirectly hold not less than 50% shareholding of the Company; (ii) China Huarong should maintain its listing on the Stock Exchange; and (iii) China Huarong should maintain its ratings of two of Moody's or S&P's or Fitch not lower than BBB or approximate ratings. As at the date of this Annual Report, China Huarong beneficially owns approximately 50.99% of the total number of issued shares of the Company.

  Please refer to the Company's announcements dated 13 August 2019 and 21 November 2019 for further details.

Report of the Directors

Independent Auditors

SHINEWING (HK) CPA Limited has retired as the auditor of the Company upon expiration of their terms of office with effect from the conclusion of the AGM held on 25 May 2017 and did not stand for re-appointment. The Board had resolved to align with the parent company and appoint Deloitte as the auditor of the Company for the year 2017 to ensure efficient and consistent auditing processes among the parent company, the Company and each of its subsidiaries. The appointment and re-appointment of Deloitte as auditors has been approved at the AGM held on 25 May 2017, 24 May 2018 and 28 June 2019 respectively.

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

Deloitte will retire as the auditor of the Company at the conclusion of the forthcoming AGM to be held on 5 June 2020.

The Board has resolved, with the recommendation of the Audit Committee to propose the appointment of Ernst & Young as the new auditor of the Company (the "**Proposed Appointment**") after the retirement of Deloitte and to hold office until the conclusion of the next AGM, subject to the approval by the Shareholders at the AGM. The Board is of the view that the Proposed Appointment will align the audit arrangements between the Company and its controlling shareholder with a view to enhancing the efficiency of the audit services.

Deloitte has confirmed that there are no matters that need to be brought to the attention of the Shareholders in relation to its retirement. The Board has confirmed that there is no disagreement between Deloitte and the Company, and there are no other matters in respect of the proposed change of the auditor of the Company that need to be brought to the attention of the Shareholders.

On behalf of the Board

Yu Meng
Chairman

Hong Kong, 30 March 2020

Biographies of the Directors & Senior Management

Executive Directors

Mr. YU Meng (于猛)

Mr. YU Meng (于猛), aged 42, is the chairman of the Board, an Executive Director, the chairman of the Nomination Committee and a member of Risk Management Committee. Mr. Yu joined the Company in November 2018. He is responsible for the leadership of the Board, formulating and overseeing the overall corporate directions and corporate strategies of the Company, and driving the Board and the individual Directors to perform to the best of their ability. Mr. Yu is currently acting as the executive director and the general manager of China Huarong International Holdings Limited, the holding company of Right Select International Limited, which is the controlling shareholder of the Company as well as the Group's associate and an executive director and the chairman of Huarong International Financial Holdings Limited (Stock Code: 00993), the shares of which are listed on the Stock Exchange. Mr. Yu joined China Huarong Asset Management Co., Ltd. (formerly known as China Huarong Asset Management Corporation, the shares of which are listed on the Stock Exchange and is the ultimate controlling shareholder of the Group) and held various positions including assistant to the general manager of asset management department, deputy general manager and risk director of Henan provincial branch; deputy general manager (in-charge of work) of branch of Shanghai Pilot Free Trade Zone; deputy director of listing office; deputy general manager of business audit department, deputy general manager (general manager level) of international business management department and managing deputy director (director level) of overseas business management headquarters, etc.. Mr. Yu graduated from China University of Political Science and Law with a master degree in laws in 2002, and is currently a Senior Economist. He possesses extensive experience in business management, asset management and risk management.

Mr. XU Xiaowu (徐曉武)

Mr. XU Xiaowu (徐曉武), aged 49, is an Executive Director, the chief executive officer of the Company, the chairman of the Risk Management Committee, a member of the Remuneration Committee and the chief supervisor of the Company. Mr. Xu joined the Company in September 2016 and served as an Executive Director and the chief executive officer of the Company during the period from September 2016 to March 2018. He has been responsible for the overall work for audit and supervision of the Company since March 2018. Mr. Xu currently 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 Co., Ltd (formerly known as Shenzhen Financial Leasing Company Limited) (Stock Code: 01606) whose shares are listed on the Stock Exchange, 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 worked in the finance department and 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., whose shares are listed on Shenzhen Stock Exchange with Stock Code: 000999) from July 1992 to November 1999. Mr. Xu graduated from Wuhan University in Wuhan City of Hubei Province, China, majoring in auditing and obtained the Bachelor's degree in Economics in 1992. Mr. Xu graduated from Xiamen University in Xiamen of Fujian Province, China, majoring in International Economics and obtained the Master's degree in Economics in 2008. Mr. Xu completed the EMBA course at Cheung Kong Graduate School of Business in Beijing, China in 2009.

Mr. Chen Qinghua (陳慶華)

Mr. Chen Qinghua (陳慶華), aged 40, is an Executive Director and the deputy general manager of the Company. Mr. Chen joined the Company in December 2016. He is responsible for overseeing the management of the asset management department, merger and acquisition financing department, direct investment department and capital market department of the Company. Mr. Chen also serves as a director of certain of the subsidiaries of the Company. Mr. Chen graduated from Zhongnan University of Economics and Law and obtained the Bachelor's degree in Economic law in 2001 and obtained the EMBA degree from the Guanghua School of Management, Peking University in 2017. Mr. Chen has served in various positions, including general manager of risk management department and director of the office of the board of directors of China Development Bank Financial Leasing Co., Ltd.

Biographies of the Directors & Senior Management

Independent Non-executive Directors

Mr. CHAN Kee Huen Michael (陳記煊)

Mr. CHAN Kee Huen Michael (陳記煊), aged 68, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. Mr. Chan joined the Company in June 2016. Mr. Chan is the chief executive of C&C Advisory Services Limited. He is an independent non-executive director of China Baoli Technologies Holdings Limited (Stock Code: 164) since August 2017, an independent non-executive director of Lansen Pharmaceutical Holdings Limited (Stock Code: 503) since April 2010, and an independent non-executive director of Sterling Group Holdings Limited (Stock Code: 1825) since September 2018; he was also an independent non-executive director of K.H. Group Holdings Limited (Stock Code: 1557) from February 2016 to August 2018, the shares of all of which are listed on the Main Board of the Stock Exchange. Mr. Chan has over 35 years of experience in external audit, IT audit, training, accounting and finance, company secretarial and corporate administration, MIS management, internal audit, information security, risk management and compliance experience. Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, a fellow member and specialist in Information Technology of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. He was admitted as a certified information systems auditor with the Information Systems Audit and Control Association in 1985 and a fellow member of the Hong Kong Institute of Directors in 2000. Mr. Chan became a member of the Institute of Internal Auditors in 1997. Mr. Chan was an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University from 2009 to 2014. Mr. Chan worked at CMG Life Assurance Limited (formerly Jardine CMG Life Assurance Limited) from 1991 to 1996 and his last position was general manager, compliance and corporate affairs. He was employed by Dao Heng Bank Limited in 1996 as the group auditor (which subsequently acquired by DBS Bank (Hong Kong) Limited) and he ceased working for the bank in 2004 with his last position as managing director and head of compliance, Hong Kong and Greater China. Mr. Chan was also the group financial controller of Lam Soon (Hong Kong) Limited from 2004 to 2005, the director of quality assurance of the Hong Kong Institute of Certified Public Accountants in 2005 and the deputy general manager of the compliance department of Ping An Insurance (Group) Company of China, Limited from 2006 to 2009. Mr. Chan graduated with a higher diploma in accountancy from Hong Kong Polytechnic in November 1976 and was awarded the postgraduate diploma in business administration from the University of Surrey in March 1998.

Mr. TSE Chi Wai (謝志偉)

Mr. TSE Chi Wai (謝志偉), aged 52, 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 is 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 China Environmental Technology Holdings Limited (Stock Code: 646) and Great Water Holdings Limited (Stock Code: 8196), those shares of which are listed on the Main Board and GEM of the Stock Exchange, respectively. Mr. Tse was an independent non-executive director of Greens Holdings Limited (Stock Code: 1318) ("**Greens Holdings**") from March 2015 to November 2015, Sunac China Holdings Limited (Stock Code: 1918) ("**Sunac**") from December 2012 to December 2017 and Chong Kin Group Holdings Limited (Stock Code: 1609) from January 2018 to August 2018, those shares of which are listed on the Main Board of the Stock Exchange. Mr. Tse was also an independent non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238) from January 2018 to May 2019, and was an executive director, the financial controller, company secretary, authorised representative and compliance officer of China Information Technology Development Limited (Stock Code: 8178), the shares of which are listed on GEM of the Stock Exchange, from August 2011 to June 2019.

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

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

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

Biographies of the Directors & Senior Management

Dr. LAM Lee G. (林家禮)

Dr. LAM Lee G. (林家禮), aged 60, is an Independent Non-executive Director, a member of the Audit Committee, the Nomination Committee and the Risk Management Committee. Dr. Lam joined the Company in September 2017. Dr. Lam 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, and of the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Vice Chairman of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road and Greater Bay Area Committee and a member of the Sir Murray MacLehose Trust Fund Investment Advisory Committee.

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 Bachelor of Laws degree (Hons) in Manchester Metropolitan University in the United Kingdom, a Master of Laws from the University of Wolverhampton in the United Kingdom, a Master of Public Administration and a Doctor of Philosophy from the University of Hong Kong. He is also a Solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar), an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an Honorary Fellow of Certified Practising Accountants (CPA) Australia, a Fellow of Certified Management Accountants (CMA) Australia, a Fellow of the Institute of Public Accountants, a Fellow of the Institute of Financial Accountants and an Honorary Fellow of the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education (HKU SPACE). In 2019, Dr. Lam was awarded by the Hong Kong Government a Bronze Bauhinia Star for serving the public.

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Company Limited (Stock Code: 6837 and it is also listed on the Shanghai Stock Exchange with Stock Code: 600837), Hang Pin Living Technology Company Limited (Stock Code: 1682, formerly known as Hua Long Jin Kong Company Limited), Kidsland International Holdings Limited (Stock Code: 2122), Mingfa Group (International) Company Limited (Stock Code: 846), and Aurum Pacific (China) Group Limited (Stock Code: 8148), and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock Code: 412), and Tianda Pharmaceuticals Limited (Stock Code: 455), the shares of all of which are listed on the Stock Exchange.

Biographies of the Directors & Senior Management

He is also an independent non-executive director of each of China Real Estate Grp Ltd. (formerly known as Asia-Pacific Strategic Investments Limited, Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Ltd. (formerly known as China Medical (International) Group Limited, Stock Code: VFP) and Thomson Medical Group Limited, (Stock Code: A50), and a non-executive director of Singapore eDevelopment Limited (Stock Code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent director of Sunwah International Limited (Stock Code: SWH) whose shares are listed on the Toronto Stock Exchange, an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH) whose shares are listed on the Australian Securities Exchange, non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM) whose shares are listed on the London Securities Exchange and an independent non-executive director of TMC Life Sciences Berhad, a company listed on the Bursa Malaysia (Stock Code: 0101).

In the past three years, Dr. Lam was an non-executive director of Green Leader Holdings Group Limited (Stock Code: 0061) and Roma Group Limited (Stock Code: 8072); an independent non-executive director of Hsin Chong Group Holdings Limited (Stock Code: 404), Glorious Sun Enterprises Limited (Stock Code: 393) and Xi'an Haitiantian Holdings Company Limited (Stock Code: 8227); a deputy chairman of the board of China Shandong Hi-Speed Financial Group Limited (Stock Code: 412); an independent non-executive director of Rowsley Ltd. (Stock Code: A50), whose shares are listed on the Singapore Exchange and Vietnam Equity Holding (Stock Code: 3MS), whose shares are listed on the Stuttgart Stock Exchange, respectively.

Senior Management

Ms. WANG Yanping (王燕屏)

Ms. WANG Yanping (王燕屏), aged 50, is the assistant chief executive officer of the Company. Ms. Wang joined the Company in January 2018. She is responsible for managing the capital and finance department, financial market department, fixed income department, risk and compliance department (business review 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 26 years' experience in financial management in various industry. She is a fellow member of the Association of International Accountants and a senior international finance manager. She has served in various positions including the financial controller in various subsidiary bodies of Guangdong Yuehai Holding Group Co. Ltd. (廣東粵海控股集團有限公司) and Guangdong Nanyue Group Co. Ltd. (廣東南粵集團有限公司), the Vice President and Chairman of the Board of Supervisors of Macau Chinese Bank Co. Ltd. (澳門華人銀行股份有限公司).

Corporate Governance Report

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

Corporate Governance Practices

The Board and management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasise a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions and, where applicable, the recommended best practices of the Corporate Governance Code and Corporate Governance Report (the "**Code**") as set out in Appendix 14 to the Listing Rules throughout the Year, except for the following deviation:

According to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. The Company did not have any officer with the title of chief executive before 8 July 2019. The Company has reviewed the structure of the Board and has identified candidate with suitable knowledge, skill and experience, the Company has made appointment to fill the post of the chief executive as appropriate. On 8 July 2019, the Company has appointed Mr. Xu Xiaowu as the chief executive officer of the Company.

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 three Executive Directors and three 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 the Board complies with Rules 3.10 and 3.10A of the Listing Rules. The Directors who held office during the Year and up to the date of this Annual Report were:

Executive Directors
Mr. Yu Meng *(Chairman)*
Mr. Xu Xiaowu *(Chief Executive Officer)* (Appointed on 8 July 2019)
Mr. Chen Qinghua (Appointed on 9 December 2019)
Mr. Zhang Fan (Resigned on 17 April 2019)
Mr. Liu Xiguang (Resigned on 8 July 2019)
Mr. Kwan Wai Ming (Resigned on 17 September 2019)

Non-Executive Directors
Ms. Lin Xueqin (Resigned on 8 July 2019)
Ms. Zhao Yingxuan (Appointed on 8 July 2019 and resigned on 9 December 2019)

Independent Non-Executive Directors
Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.
Dr. Fang Fuqian (Resigned on 24 May 2019)

As at the date of publication of this Annual Report, the Board consists of 6 Directors.

The biographical details of the Directors are set out in the section of “Biographies of Directors and Senior Management” on pages 22 to 26 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 Meeting
Executive Directors						
Mr. Yu Meng *(Chairman)*	10/10	N/A	3/3	N/A	1/1	1/1
Mr. Xu Xiaowu *(Chief Executive Officer)* (Appointed on 8 July 2019)	3/3	N/A	N/A	1/1	0/0	N/A
Mr. Chen Qinghua (Appointed on 9 December 2019)	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Zhang Fan (Resigned on 17 April 2019)	5/6	N/A	N/A	1/1	1/1	N/A
Mr. Liu Xiguang (Resigned on 8 July 2019)	7/7	N/A	N/A	0/0	1/1	1/1
Mr. Kwan Wai Ming (Resigned on 17 September 2019)	0/8	N/A	N/A	N/A	N/A	1/1
Non-Executive Directors						
Ms. Lin Xueqin (Resigned on 8 July 2019)	4/7	0/0	N/A	N/A	0/0	1/1
Ms. Zhao Yingxuan (Appointed on 8 July 2019 and resigned on 9 December 2019)	3/3	1/2	N/A	N/A	N/A	N/A
Independent Non-Executive Directors						
Mr. Chan Kee Huen Michael	9/10	3/3	3/3	2/2	N/A	1/1
Mr. Tse Chi Wai	10/10	3/3	3/3	2/2	N/A	1/1
Dr. Lam Lee G.	10/10	0/0	3/3	N/A	1/1	1/1
Dr. Fang Fuqian (Resigned on 24 May 2019)	6/6	1/1	2/2	N/A	N/A	N/A

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

(iii) Board Responsibilities and Delegation

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

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

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

Corporate Governance Report

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

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

(iv) Independence of the Independent Non-executive Directors

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

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

(v) Directors' Relationship

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

(vi) Re-election of Directors

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

(vii) Directors' Ongoing Development

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

Corporate Governance Report

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

	Training on corporate governance, regulatory development and/or other suitable topics including Directors' inductions
Executive Directors	
Mr. Yu Meng *(Chairman)*	✓
Mr. Xu Xiaowu *(Chief Executive Officer)* (Appointed on 8 July 2019)	✓
Mr. Chen Qinghua (Appointed on 9 December 2019)	✓
Mr. Zhang Fan (Resigned on 17 April 2019)	N/A
Mr. Liu Xiguang (Resigned on 8 July 2019)	N/A
Mr. Kwan Wai Ming (Resigned on 17 September 2019)	N/A
Non-Executive Directors	
Ms. Lin Xueqin (Resigned on 8 July 2019)	N/A
Ms. Zhao Yingxuan (Appointed on 8 July 2019 and resigned on 9 December 2019)	N/A
Independent Non-Executive Directors	
Mr. Chan Kee Huen Michael	✓
Mr. Tse Chi Wai	✓
Dr. Lam Lee G.	✓
Dr. Fang Fuqian (Resigned on 24 May 2019)	N/A

Chairman and Chief Executive

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

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

Mr. Xu Xiaowu is the 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

After the resignation of Ms. Zhao Yingxuan, the former Non-executive Director, on 9 December 2019, the office of the Non-executive Director has been vacated. However, the Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

Corporate Governance Report

Board Committees

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

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

(i) Audit Committee

The Audit Committee was established on 8 December 2014 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Audit Committee was chaired by Mr. Chan Kee Huen Michael, with two other members namely Mr. Tse Chi Wai and Dr. Lam Lee G. as at 31 December 2019. All committee members are Independent Non-executive Directors and each of Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G. 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 re-appointment of auditors, the corporate governance, the review of risk management and internal control system and the effectiveness of the internal audit function of the Group, and review on certain matters in relation to an internal investigation.

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

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

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

(ii) Nomination Committee

The Nomination Committee was established on 8 December 2014 with written terms of reference accessible on the websites of the Company and the Stock Exchange. The Nomination Committee was chaired by Mr. Yu Meng (Executive Director and chairman of the Board) with three other members, of which all of them were Independent Non-executive Directors namely Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G. as at 31 December 2019.

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

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

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

(iii) Remuneration Committee

The Remuneration Committee was established on 8 December 2014 with written terms of reference posted on the websites of the Company and the Stock Exchange. The Remuneration Committee was chaired by Mr. Tse Chi Wai, being an Independent Non-executive Director, with two other members namely, Mr. Chan Kee Huen Michael and Mr. Xu Xiaowu as at 31 December 2019. Majority of whom are the Independent Non-executive Directors.

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

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

Corporate Governance Report

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

(iv) Risk Management Committee

The Risk Management Committee was established on 13 April 2017 with written terms of reference accessible on the website of the Company. The Risk Management Committee was chaired by Mr. Xu Xiaowu, being an Executive Director, with two other members, namely Mr. Yu Meng (Executive Director) and Dr. Lam Lee G. (Independent Non-executive Director) as at 31 December 2019.

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 Management 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 a board diversity policy in 2017, which is summarised as follows:

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

For the purpose of implementation of the board diversity policy of the Company, the following measurable objectives were adopted:

1. The Company should comply with the requirements on board composition in the Listing Rules from time to time.

2. The number of independent non-executive Directors should be not less than three and one-third of the Board.

3. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise.

4. At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Board has achieved the measurable objectives under the board diversity policy of the Company for the Year.

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. Three Independent Non-executive Directors are qualified accountants. There is also an Independent Non-executive Director who is a qualified solicitor. Four Directors have experience sitting on the boards of other companies listed on the stock exchange of Hong Kong and the PRC. The Directors have extensive experiences in the finance industry, investment, business management, accountancy profession, securities industry, banking industry, engineering, government institutions, legal profession and academic profession, and exposure or experience in various countries including the PRC, etc. They are members, or committee or panel members of various industry bodies, public service or government bodies. The Directors bring a wealth of diverse experience to the Board, which is conducive to the growth of the Company over the years.

Dividend Policy

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

Corporate Governance Report

Auditor's Remuneration

For the year ended 31 December 2019, the remuneration payable or paid to the Group's independent external auditor, Deloitte, in respect of audit and non-audit services provided to the Group is set out as follows:

	For the year ended 31 December 2019 HK$
Services rendered for the Group	
Audit services	**1,400**
Interim results review	**450**
Non-audit services (include taxation and other professional services)	**29**
Total Fees	**1,879**

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

Directors' Responsibility for the Financial Statements

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

Corporate Governance Function

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

Nomination Policy

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

Corporate Governance Report

Selection Criteria

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

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

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

Nomination Procedures

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

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

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

Risk Management and Internal Controls

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

Corporate Governance Report

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

Supported by the internal committees and the management team of the Group, the 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, the Risk Management Committee and the Board on the effectiveness of these systems.

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

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

The risks which may have significant impact to the Group were identified from internal and external environments and were managed properly. An annual review of the risk management and internal control 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.

Corporate Governance Report

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 Suite B, Levels 16-17, Two Pacific Place, 88 Queensway, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Putting Forward Proposals at Shareholders' Meeting

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

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

Investor Relations and Communication with Shareholders

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

Press releases and announcements about the Company's are made from time to time. The Company informs Shareholders of the procedure for voting by poll in the circular to Shareholders, and ensures compliance with the requirements regarding voting by poll contained in the Listing Rules and the Articles. Specific enquiries by Shareholders requiring the Board's attention can be sent in writing to the Company Secretary at the Company's business address in Hong Kong at Suite B, Levels 16-17, 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

Huarong Investment Stock Corporation Limited is based in Hong Kong and mainly engages in the businesses of direct investment and financial services. The Company strives to embed the concept of sustainability into its development strategy and daily operation and fulfil its social responsibilities by placing environmental, social and governance ("ESG") factors as one of the considerations in the course of business operations.

The Company is dedicated to becoming a sustainability pioneer in the industry by developing various policies and measures to minimise the underlying negative environment and social impact arising from its business. With the aim to improve the sustainability strategy and management, the Company makes reference to the experiences of other corporations to establish a variety of sustainability targets and indicators and provide a well-defined basis for the implementation of relevant policies. The Company maintains close liaisons with stakeholders during business operations to understand their expectations and needs. Committed in making responsible investments, the Company proactively seeks to develop its businesses through sustainable approaches to play an industry-leading role in responding to ESG risks and to promote global sustainable development.

Intending to fully demonstrate the Company's sustainability performance, the Company is delighted to present its fourth Environmental, Social and Governance Report ("ESG Report") to disclose the ESG policies, measures and performances during 1 January 2019 to 31 December 2019 (the "year"). This Report covers the Company's major business boundary, including the investment businesses in Hong Kong, Shenzhen and Beijing. The foundation and substructure construction services in Hong Kong has been sold during the year, and thus is not included in the reporting boundary. For more details about the Company's businesses, please refer to the 2019 Annual Report.

This Report is prepared in accordance with Appendix 27 *Environmental, Social and Governance Reporting Guide ("ESG Guide")* of the *Main Board Listing Rules* issued by the Stock Exchange of Hong Kong Limited and has complied with all "comply or explain" provisions outlined in the *ESG Guide*. Most of the social key performance indicators categorized as "recommended disclosure" in the *ESG Guide* has also been disclosed. This Report abides by the four reporting principles of materiality, quantitative, balance and consistency as the foundation during report preparation to provide stakeholders with a comprehensive view of the Company's effort and achievements in terms of ESG in the year.

The Company is committed to ensuring its businesses are operated in accordance with the United Nations Sustainability Development Goals ("SDGs") and has disclosed its effort in achieving the SDGs. The Company's sustainability governance structure, stakeholder engagement and materiality assessment are also disclosed in the Report to provide stakeholders with an overview of the foundation of the Company's sustainability governance. In addition, the Company has highlighted the 12 ESG topics identified during the materiality assessment, including corporate governance, risk compliance, supply chain management, product and service responsibility, employee and other aspects, so as to better respond to concerns and expectations of stakeholders. Please refer to the content on page 6 to 10 of this Report for the Company's processes of stakeholder engagement and materiality assessment.

Environmental, Social and Governance

Sustainable Development Approach

Sustainability Governance

The Company endeavours to create shared values during business operations and positively influence the environment and society. Serving as a vital role in promoting corporate sustainability, the Board pays close attention to ESG-related movements of the Company and the market through regular meetings, emails, annual ESG reports and other channels, so as to formulate plans promptly and strengthen the Company's resilience. Intending to address demands of stakeholders accurately, the Company reviews its sustainability policies continuously and adjusts its policies and business operation model according to market trend and other factors.

Recognising a well-established governance structure as the cornerstone of sustainable business development, the Company adopts an integrated approach to manage ESG issues. The Board leads the management and business units from top-down, while the business units report the measure implementations and experiences gained to management and the Board from bottom-up to assist the Board in continuous improvement of ESG decisions.

The office of the Board has been charged for daily ESG management to allow efficient delivery of the Company's ESG management and accurate identification of relevant risks and opportunities. The office of the Board assists business units in implementing ESG policies during operations, regularly reviews their implementation and directly reports to the Board.

Board

- Develop sustainability strategies and guidelines
- Monitor the implementation progress of ESG policies and targets
- Identify potential ESG risks related the Company's businesses

Management

- Assist Business Units in the implementation of measures
- Monitor the implementation of sustainability measures continuously
- Evaluate and manage ESG risks in operations

Business Units

- Execute the sustainability policies developed by the Board
- Eliminate, abate and control the ESG risks in operations
- Reflect the experiences of implementing ESG policies and measures to senior management

Environmental, Social and Governance

United Nations Sustainability Development Goals

The Sustainability Development Goals ("SDGs") were developed by the United Nations in 2015 to advocate all countries to take actions in ending poverty, protecting the planet and promoting prosperity. The Company has been committed to fulfilling the SDGs and supporting social sustainable development. During the year, we have reviewed our businesses to identify four SDGs that are of most relevance to the Company. We actively integrate these SDGs into the business strategy and take corresponding measures in response to the call of the United Nations to create a better shared future together for all people.

SDGs	The Company's Action
8 GOOD JOBS AND ECONOMIC GROWTH	• Contribute the economic development • Conduct background check for job applicants during recruitment process to eliminate the use of child labour and forced labour • Offer reasonable remuneration and benefits to protect labour rights
10 REDUCED INEQUALITIES	• Develop equal opportunities policy and treat all candidates and employees equally • Implement various measures to avoid all workplace discrimination
12 RESPONSIBLE CONSUMPTION	• Implement green office policies to reduce office waste generation
16 PEACE AND JUSTICE	• Comply with laws and regulations relevant to anti-corruption and formulate related policies • Provide anti-corruption training to employees • Establish whistle-blowing channels to prevent misconduct within the company

Environmental, Social and Governance

Stakeholder Engagement

Stakeholders' expectations and comments are of utmost importance to the Company's continuous improvement in sustainability strategies. Through engaging with stakeholders, the Company identifies their concerned sustainability issues to anticipate relevant risks and opportunities and drive the implementation of sustainability initiatives. Diversified and open communication channels have been established to maintain close and friendly relationships with stakeholders. The Company determines the plan and direction of future development and improvement by listening to their feedback and opinions.

Environmental, Social and Governance

Stakeholders	Expectations and concerns	Major communication channels
Government and regulatory authorities	• Compliance with laws and regulations • Anti-corruption policies	• Financial reports, announcements and circulars • Response to public consultations • Email and phone number
Business partners	• Corporate governance • Business compliance	• Financial reports, announcements and circulars • Project collaborations • Industry conferences and seminars
Shareholders	• Return on investments • Corporate governance • Business compliance	• Financial reports, announcements and circulars • Regular shareholder meetings • Official website
Employees	• Corporate culture • Employees' salaries and rights • Employees' health and safety • Employees' training and development	• Written comments/responses • Emails, announcement board and hotline • Caring activities with management • Performance reviews • Regular training programmes • Meetings
Suppliers	• Fair and open procurement • Protection of intellectual property rights • Win-win corporation • Environmental compliance	• Open tendering • Suppliers' satisfactory assessment • Regular meetings and on-site visit • Industry conferences and seminars • Online survey
Customers	• Quality services and products • Protect customers' rights	• Customer satisfaction survey • Customer service hotline and email • On-site visits
General public	• Community involvement • Business compliance • Environment compliance	• Public welfare activities • Face-to-face interviews • Response to public enquiries

Environmental, Social and Governance

Materiality Assessment

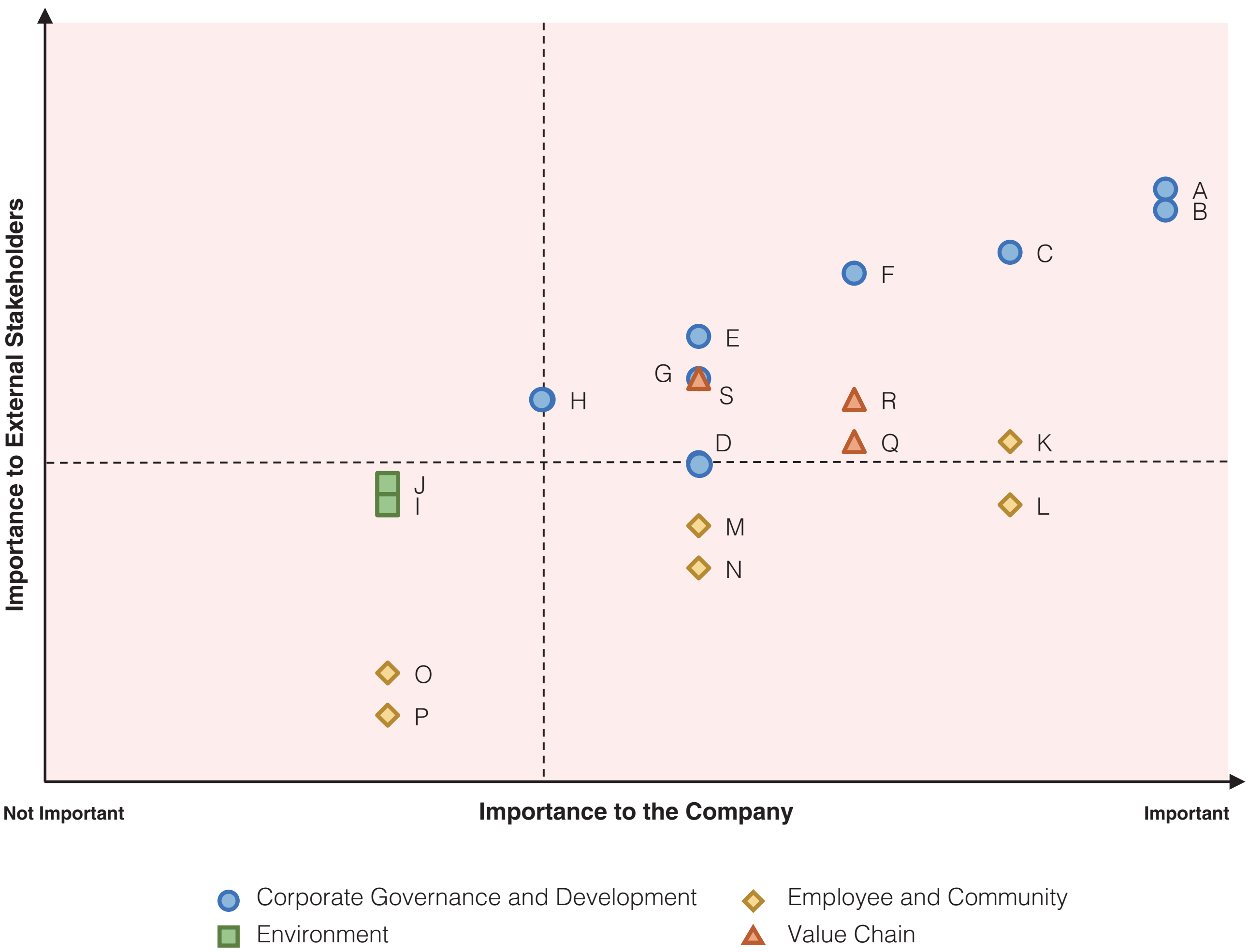
The Company has once again invited stakeholders to participate in a materiality assessment due to the significant changes in the Company's business structure this year. The Company has commissioned an independent consultant to collect responses from stakeholders to ensure accurate and objective assessment results. In order to have a more precise understanding on stakeholders' concern after the reorganisation of the Company, the survey only focuses on their view on the materiality and performances of each ESG issues for pertinent to the Company's investment business.

Identify relevant issues	Identify ESG issues related to the Company's businesses based on the results of prior materiality assessment, peers' concerned issues, local and international reporting standard and the SDGs.
Collect responses from stakeholders	Invite stakeholders including employees, suppliers and community representative to conduct online survey and evaluate the materiality of each ESG issues.
Identify material topics	Construct the materiality matrix and determine material topics that required priority concerns according to their importance to stakeholders and the Company.
Validate material topics	Validate the identified material topics by the Board and disclose in this Report accordingly.

Environmental, Social and Governance

The Company has constructed the materiality matrix below based on the assessment results:

ESG Materiality Matrix



Corporate Governance and Development	Employee and Community
A. Legal compliance B. Internal risk management C. Anti-corruption management D. Environmental, social and governance (ESG) E. Response to national strategies F. Financial risk reduction G. Serving entity economy Value Chain H. Industrial corporation promotion	K. Employees' rights protection L. Employment training and development M. Policy for employee care N. Employee communication O. Social welfare P. Contribution to communities
Environment	**Value Chain**
I. Green office J. Green finance	Q. Service quality management R. Customer privacy protection S. Supply chain management

Environmental, Social and Governance

A total of 12 material topics was identified from the materiality matrix. In response to the concerns of stakeholders, the Company will detail the policies, measures and performances related to the material topics in the year. Also, the Company will review and adjust the guiding principles of governance to meet the expectations of stakeholders.

Contact Us

Steered by the spirit of continuous improvement, the Company continues to refine its sustainability governance policies. As such, the Company welcomes any suggestions and comments regarding this Report or ESG-related matters. Please contact us through email at enquiry@hriv.com.hk for any feedback.

Management Excellence

As a leading financial institution that proactively takes up social responsibilities, the Company is dedicated to improving corporate governance. We aim to serve the entity economy, contribute to economic development and continue to promote sustainability while providing quality services to customers through outstanding management.

Responsible Investment

As a responsible enterprise, the Company is committed to combining social and environmental responsibilities into investment strategies and promoting sustainable development. With the aim to minimise investment risks, the Company has developed a detailed internal guideline with reference to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited,* and the *Business Review and Approval Procedures* of China Huarong Assessment Management Corporation Limited. The internal guideline clearly states the Company's approval procedure, relevant requirement and responsible departments when conducting businesses to enhance the review quality and efficiency and strengthen risk prevention and control.

To minimise investment risks, the Company's internal guideline requires various departments to fully evaluate project proposals in terms of compliance, financial profit, cost and origin of capital and overall risks, and provide suggestions based on the evaluation results. All employees must comply with the internal guideline to ensure smooth commencement of projects and achieve responsible investment. The Company strives to identify, assess and reduce relevant business risks and seek collaborations with more industries in the future. It will thus allow the Company to achieve reasonable investment return while promoting social economic development of and fulfilling corporate responsibilities.

Operational Compliance

Holding the highest standard of professional ethics and business integrity during operation, the Company is committed to abiding by the *Personal Data (Privacy) Ordinance* of Hong Kong and other related laws and regulations. To safeguard the interests of customers, the Company signs confidential agreements with them and stipulates relevant clauses in the contract. Employees are required to strictly enforce the confidential agreements, which only authorised personnel are allowed to access the personal data of customers. The classified documentation rooms with commercial secrets are isolated from the general operation area. Non-related personnel are prohibited from entering the area to ensure optimal protection of customers' privacy.

We also stated in the employment contract agreement that any person with significant influence over the Company's technical and economic rights and interests are not allowed to involve or operate businesses that compete with the Company for a certain period after resigning, as to provide additional protection on personal privacy and intellectual property.

During the year, the Company was not aware of any violation against laws and regulations related to product and service responsibility, advertising, labelling and privacy matters.

Environmental, Social and Governance

Professional Ethics and Business Integrity

The Company upholds the principles of honesty, ethics and integrity in its operation and strictly abides by relevant laws and regulations including the *Anti-corruption Law of the People's Republic of China,* the *Anti-Money Laundering Law of the People's Republic of China,* the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* and the *Prevention of Bribery Ordinance* of Hong Kong.

The Company adopts a zero-tolerance attitude towards any forms of bribery and corruption and has developed internal guidelines, including the *Huarong Anti-money Laundering and Anti-terrorist Fund-raising Internal Control Specification* and the *Huarong Information Disclosure Management Measure.* The aforesaid guidelines require employees to perform their duties with integrity and serve customers fairly and professionally. All employees must comply with the professional ethics standards stipulated in the internal guidelines and are prohibited from engaging in any forms of bribery activities. The Company's internal guideline also requires employees to sign related documents with details of the required precautions in the course of projects. The Hong Kong's Independent Commission Against Corruption is invited to provide training for employees from time to time to strengthen their anti-corruption awareness.

Additionally, the Company has established a reliable whistle-blowing channel to allow employees and those who deal with the Company to report any suspected misconducts to relevant department of the Company in oral or written forms. Relevant department will conduct investigations upon receiving reports, and take disciplinary actions against offenders if the accusation is found to be true. If necessary, the Company will take legal action and report to relevant law enforcement authorities. An effective grievance mechanism has also been set up to protect whistle-blowers from unfair treatment.

Supply Chain Management

The Company believes a comprehensive supply chain management is of utmost importance to maintain our product and service quality and achieve sustainability. As such, the Company formulates various internal supplier management policies and procurement guidelines including the *Computer Software and Hardware Products and Services Procurement Management Procedures* and the *Company Large Procurement Committee Working Rules.* The ISO9001 Quality Management Systems Standard has been adopted to monitor relevant potential social and environmental risks, and classify suppliers according to their nature to implement different management strategies.

To ensure the quality of service and product provided by suppliers, the Company conducts supplier evaluation regularly. In the meantime, we maintain close liaison with suppliers through the internet, phone calls and other communication means. It thus allows us to strengthen collaborations and ensure effective communication of any possible significant delay or conflict, as to minimise the chances of affecting the Company's service quality due to undesirable services from the supply chain.

Caring for Employees

The Company strongly believes that employees are indispensable foundation stones for business growth. As such, the Company strives to create a healthy working environment and provide diversified training and clear promotion ladder to encourage the team to achieve further progress. On top of the *Staff Handbook,* the Company further standardises human resources-related policies such as salary, promotion and leaves through policies related to employees' appointment and removal and office management. Strictly abiding by relevant laws and regulations including the *Labour Law of the People's Republic of China,* the *Social Insurance Law of the People's Republic of China,* Hong Kong's *Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance,* the Company updates and adjusts the *Staff Handbook* when necessary to ensure compliance with the latest laws and regulations in Hong Kong and the PRC, providing employees with the best protection.

During the year, the Company was not aware of any significant violation against employment-related laws and regulations in Hong Kong and the PRC.

Environmental, Social and Governance

Talent Acquisition and Retention

The Company upholds the principle of "open, fair, transparent and standardised" to attract talents and treats all job applicants equally. The Company conducts open recruitment following the clear procedures to provide an open and transparent platform for job applicants. The Company strictly prohibits any forms of discrimination and will not treat job applicants based on their gender, races, family status and religion.

The Company has adopted a stringent policy to prohibit the use of child labour and forced labour. All job applicants are required to show valid identity document during the recruitment process to ensure compliance with the eligibility criteria of employment set out in local laws and regulations. The Company enters into employment contract or internship agreement with all qualified applicants to protect the rights and benefits of both sides. The employment contract will be terminated in case of any violation of relevant regulations to eliminate the use of child labour and forced labour.

The Company only hires individuals based on the applicants' moral ethics, working ability, development potential and their compatibility with the Company's culture, and offers fair and competitive remuneration and benefits according to their educational background, work experiences, career aspirations and other factors. Employees' wage and benefits are regularly adjusted by evaluating their capability and performances, as well as referencing to market and industry standards. The foresaid evaluation also acts as one of the bases for promotion. Merit pay is offered according to employees' performances and positions to increase their motivation. To provide clear guidance for employees, the Company has also developed a pay structure to define the salary range of each job level. In an effort to ensure equal opportunities for all job applicants and employees, the Company guarantees all procedures related to the assessment of remuneration and adjustment of positions and job levels are fair, open and transparent.

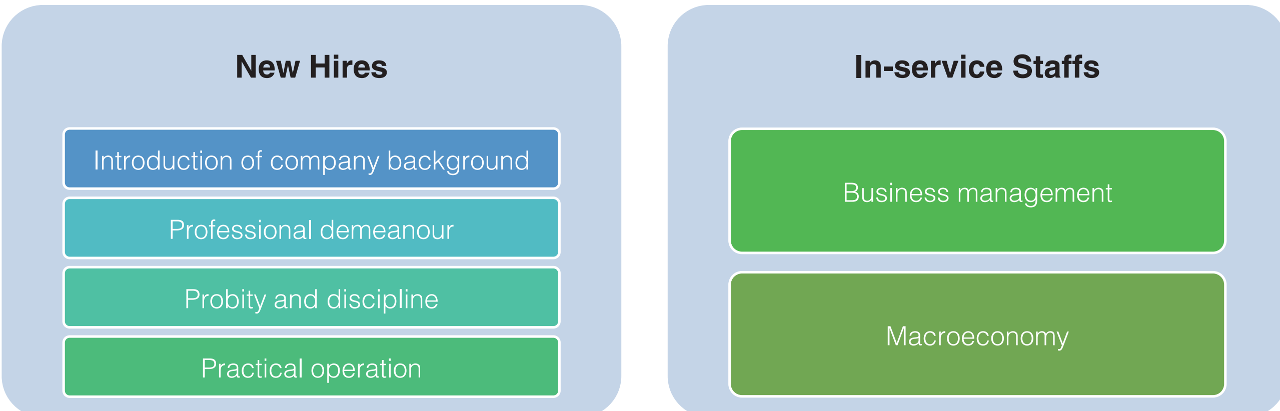
On top of a reasonable salary, the Company also place great importance on employees' welfare policies to promote unity and enhance motivation. With reference to relevant laws and regulations and guidelines, the Company formulates policies to restrict employees' working hours. To ensure employees with adequate rest, the Company monitors employees' working hours through the attendance management system. Employees who worked overtime are also provided with extra leaves and overtime allowances on catering and transportation. On top of statutory holidays and regular paid annual leaves, employees can also enjoy extra leaves benefits such as marriage leaves, maternity leaves and compassionate leaves. Recreation Committee has also been established to further improve the Company's welfare. During the year, the Company organised outings and monthly birthday parties to enhance communications and understandings between employees and promote physical and mental health.

The Company advocates a diversified and respectful working environment and works unwaveringly in promoting anti-discrimination and creating equal opportunities. In addition to ensuring human resources and employment decisions such as training and promotion are free from discrimination, the Company does not tolerate any workplace discrimination, harassment and vilification. To eliminate these circumstances, the Company encourages employees to report any cases involved with discrimination to the Department of Human Resources and will carry out investigations upon receiving reports. Appropriate disciplinary action will be taken in accordance with the regulations if breaches are detected.

Environmental, Social and Governance

Employee Training and Development

Talent development is at the forefront of the Company's planning. The Company seeks to enhance their abilities and facilitate their career development through various training and learning initiatives. To better accommodate employees' training needs and the Company's business development, we regularly analyse and consolidate the Company's business growth and risks to formulate a tiered and classified training plan. *Huarong Staff Training Guidelines* is also in place for systematic management of the training system by standardising the training format, objectives and content. To ensure training quality, the Company actively looks for rooms for improvement by conducting after-class feedback surveys and training quality surveys. During the year, we provided a series of tailor-made training programmes according to the training plan:



The Company continues to deploy resources and invite external training organisations and professionals to provide training for employees and enhance employees' knowledge on risk mitigation and investment law through theory, case sharing and practice. We also encourage communications between senior employees and newcomers, where the newcomers can gain valuable practical experiences while bringing innovative ideas to senior members, thereby facilitating the growth of employees and corporation development.

Intending to encourage self-learning of employees, the Company provides allowances to employees who participate in work-related external training and professional qualification examinations. All employees passing the professional qualification examination and being awarded with qualification certificates can receive reimbursement from the Company, while the relevant qualification certificates will act as a critical reference for salary adjustment.

Employee Health and Safety

As a responsible employer, we provide ample protection in employees' health and safety. The Company strictly abides by relevant laws and regulations including the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases,* Hong Kong's *Occupational Safety and Health Ordinance* and the *Regulation on Work-related Injury Insurance.* Fire drill was organised during the year for all employees in Hong Kong to participate in the view of strengthening their emergency preparedness. We also provide employees with employees' compensation insurance, medical insurance and life insurance to ensure employees are protected at full range.

During the year, there were no work-related safety incident happened.

Environmental, Social and Governance

Caring for the Environment

As an enterprise engaging in investment businesses, the Company's emissions and resource usage during business operation mainly come from office premises. To lower the underlying environmental impact, the Company has implemented a wide variety of measures to promote green office, improve energy efficiency, save energy and water and strengthen waste management. The Company strictly abides by relevant laws and regulations, including the *Environmental Protection Law of the People's Republic of China,* the *Air Pollution Control Ordinance* and the *Waste Disposal Ordinance* of Hong Kong. During the year, there were no cases of violation against laws and regulations related to environmental protection.

Saving Energy and Reducing Emissions

To reduce carbon emission during business operation and jointly combat climate change, employees are required to strictly comply with regulations on energy saving outlined in the Company's internal guidelines. We continuously upgrade the lighting system at the office to replace energy-intensive lamps with LED lights with higher energy efficiency. To avoid unnecessary electricity consumption, idle electrical appliances such as air conditioners and lights are switched off outside office hours, while the temperature of air conditioners is adjusted according to season and weather. Also, the Company regularly arrange professionals to repair and perform maintenance on air conditioners and paper shredder and other electrical appliances to maintain their operational efficiency and reduce the need for procuring additional electrical appliances.

The Company pays attention to employees' education on energy-saving and emission reduction. To enhance energy saving awareness of employees, the Company constantly reminds employees to conserve energy by placing signs with the slogan of “Save electricity and turn off the light when you leave please”. Employees are also encouraged to open curtains as much as possible to replace the use of lights with natural sunlight.

To minimise carbon emissions arising from transportation, employees are encouraged to avoid unnecessary travelling through online or telephone conference. We require employees to take public transport and avoid the use of private cars whenever possible. Detailed policies are formulated to regulate the use of vehicles.

Managing Waste

Upholding the commitment to sustainable management, the Company implements various measures at the office to promote the concept of reuse and recycle and reduce waste generation. To enhance waste management efficiency, all office wastes are centrally collected and sorted for recycling, while the building's property management department will handle the remaining wastes. As the Company is not involved in any manufacturing activities, no significant hazardous waste was generated, and packaging materials was not used in the year. In terms of hazardous waste at office premises, the Company collaborates with suppliers to recycle printer cartridges and encourages employees to recycle used batteries into recycling bins at the building to minimise environmental impact.

With the view to reduce food packaging materials disposal, the Company places microwaves in offices to encourage employees to bring their own lunch and prevent ordering takeaways. The Company constantly reminds employees to bring their utensils when buying takeaways to reduce the use of disposable plastic tableware. The Company also advocates the reuse of folders and other office stationaries to reduce waste at source.

Environmental, Social and Governance

Using Resources Wisely

Profoundly acknowledging the scarcity and value of the Earth's resources, the Company proactively promotes the concept of a digital and paperless office and reduce office paper use. The Company continuously lessens the demand for paper by signing online contracts with collaboration units, archiving commercial records and documents on clouds and communicating with employees and other sectors through email and e-bulletin boards.

To further minimise office paper use, posters and stickers are placed in offices to remind employees of the concept of “think before printing”. The Company also encourages duplex printing and has set up trays beside photocopiers to collect single-sided paper use for printing internal documents or using as draft paper. Intending to minimise the environmental impact arising from paper use, the Company works with suppliers to purchase environmental-friendly paper.

Although the Company did not encounter any issues in sourcing water, the Company spares no effort to reduce water consumption and enhance water efficiency during operation. Posters with the slogan of “Saving Water Resources” are placed at prominent places such as washrooms and pantries to raise the water conservation awareness of employees. In addition, the Company regularly inspects and repairs the water supply system, including water taps, water pipelines and storage tanks. Once the water supply equipment is found to be dripping or leaking, professionals will be arranged for immediate repair to avoid wastage caused by leakage of water supply systems.

Giving Back to Society

The Company has long been committed to giving back to society and conveying positivity and warm to the community while developing businesses. We are dedicated to nurturing a friendly and positive corporate culture during daily operations and have encouraged employees to actively participate in welfare activities. We will continue to seek opportunities for cooperation with local communities in operation locations, and promote sustainable development in the society through proactively engaging in activities and donations.

Performance Data Summary

Environmental Performance[1]

Key Performance Indicator (KPI)	Unit	Amount in the Year	Intensity (Per Employee) in the Year[2]
Use of Resources			
Electricity	kWh	198,022	6000.67
Petrol	Litre (L)	17,682.32	535.83
Diesel[3]	Litre (L)	–	–
Water[4]	Cubic metre (m^3)	6.30	0.19
Paper	Kilogram (kg)	1,362	41.27
Air Emissions[5]			
Sulfur oxides (SO_x)	Kilogram (kg)	0.26	0.01
Nitrogen oxides (NO_x)	Kilogram (kg)	3.53	0.11
Carbon monoxide (CO)	Kilogram (kg)	49.14	1.49
Particulate matters 2.5 (PM2.5)	Kilogram (kg)	0.20	0.01

Environmental, Social and Governance

Environmental Performance[1]

Key Performance Indicator (KPI)	Unit	Amount in the Year	Intensity (Per Employee) in the Year[2]
Greenhouse Gases Emissions			
Scope 1 emissions (Direct emissions)[6]	Tonnes CO_2e	45.35	1.37
Scope 2 emissions (Energy Indirect emissions)[7]	Tonnes CO_2e	156.49	4.74
Scope 3 emissions (Other Indirect emissions)[8]	Tonnes CO_2e	6.252	0.19
Total emissions (Scope 1, 2 and 3 emissions)	Tonnes CO_2e	208.09	6.31
Non-hazardous Waste			
Solid wastes[9]	Tonnes	2.70	0.08
Hazardous Waste[10]			
Waste batteries	Kilogram (kg)	2	–
Waste fluorescent Tubes	Pieces	45	–
Waste printer cartridges	Pieces	50	–

Notes:

1. Unless otherwise specified, this environmental performance data summary includes data from the Company's Investment Businesses in Hong Kong, Shenzhen and Beijing.

2. Intensity is calculated based on the total number of employees of the Company's investment business of 33 people.

3. Diesel was not used during the reporting year as all Company's vehicles are petrol private cars.

4. The water consumption data comes from the drinking water consumption at the Company's investment business in Beijing. Other office water consumptions are managed by the building's property management department and thus the Company did not collect relevant data.

5. Air pollutant emission comes from vehicles owned by the Group in the PRC and Hong Kong. The emission data is calculated in accordance with the "Reporting Guidance on Environmental KPIs" of the Stock Exchange of Hong Kong Limited and the《道路機動車排放清單編製技術指南（試行）》from the Ministry of Environmental Protection of People's Republic of China.

6. Scope 1 emissions (direct emissions) are generated from vehicles owned by the Group in the PRC and Hong Kong. The emission data is calculated in accordance with the "Reporting Guidance on Environmental KPIs" of the Stock Exchange of Hong Kong Limited and the《陸上交通運輸企業溫室氣體排放核算方法與報告指南（試行）》from the Ministry of Environmental Protection of People's Republic of China.

7. Scope 2 emissions (energy indirect emissions) are generated from the electricity consumed by the Company through the production processes of suppliers.

8. Scope 3 emissions (other indirect emissions) includes greenhouse gases emissions generated from the disposal of waste paper at landfills. The data of waste paper disposal comes from investment businesses in Hong Kong and Shenzhen.

9. The non-hazardous waste data was collected from Investment Business in Hong Kong. Other office wastes are handled by the building's property management and thus the Company did not collect relevant data.

10. The hazardous waste data was collected from investment businesses in Hong Kong and Shenzhen. Other office wastes are handled by the building's property management and thus the Company did not collect relevant data.

Environmental, Social and Governance

Social Performance KPI	Units	Number	Percentage (%)
Employment			
Total workforce by gender			
Male	No. of people	19	57.58
Female	No. of people	14	42.42
Total workforce by employment type			
Full-time	No. of people	33	100
Part-time	No. of people	0	–
Total workforce by age group			
Aged 30 or below	No. of people	5	15.15
Aged 31 – 40	No. of people	23	69.7
Aged 41 – 50	No. of people	5	15.15
Aged 51 or above	No. of people	0	–
Total workforce by geographical region			
Hong Kong	No. of people	33	100
The PRC	No. of people	0	–
Health and Safety			
Number of work-related fatalities	No. of people	0	–
Lost days due to work injury	Days	0	–
Training and Development			
Total number of trained employees by gender[1]			
Male	No. of people	44	–
Female	No. of people	27	–
Total number of trained employees by employment type[1]			
General Employee	No. of people	50	–
Manager	No. of people	16	–
Senior Manager	No. of people	5	–
Total training hours completed by gender			
Male	Hours	597.5	–
Female	Hours	341.5	–
Total training hours completed by employment type			
General Employee	Hours	721	–
Manager	Hours	153	–
Senior Manager	Hours	60.5	–

Notes:

1. Trained employees include the Company's employees as of 31 December 2019 and employees who have left or transferred during the year.

Environmental, Social and Governance

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Aspect	KPI	Disclosure	Section/Remarks
A. Environment			
A1 Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Caring for the Environment – Saving Energy and Reducing Emissions Caring for the Environment – Managing Waste
	A1.1	The types of emissions and respective emissions data.	Performance Data Summary
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	A1.5	Description of measures to mitigate emissions and results achieved.	Caring for the Environment – Saving Energy and Reducing Emissions
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Caring for the Environment – Managing Waste

Environmental, Social and Governance

Aspect	KPI	Disclosure	Section/Remarks
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Caring for the Environment – Saving Energy and Reducing Emissions Caring for the Environment – Using Resources Wisely
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	A2.3	Description of energy use efficiency initiatives and results achieved.	Caring for the Environment – Saving Energy and Reducing Emissions
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Caring for the Environment – Using Resources Wisely
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The use of packaging materials is not material to the Group due to our business nature.
A3 The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Caring for the Environment – Saving Energy and Reducing Emissions Caring for the Environment – Managing Waste Caring for the Environment – Using Resources Wisely
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

Environmental, Social and Governance

Aspect	KPI	Disclosure	Section/Remarks
B. Social			
Employment and Labour Practices			
B1 Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Caring for Employees – Talent Acquisition and Retention
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Performance Data Summary
B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Caring for Employees – Employee Health and Safety
	B2.1	Number and rate of work-related fatalities.	Performance Data Summary
	B2.2	Lost days due to work injury.	
B3 Training and Development	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Caring for Employees – Employee Training and Development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Data Summary
	B3.2	The average training hours completed per employee by gender and employee category.	
B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Caring for Employees – Talent Acquisition and Retention
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	
	B4.2	Description of steps taken to eliminate such practices when discovered.	

Environmental, Social and Governance

Aspect	KPI	Disclosure	Section/Remarks
Operating Practices			
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Management Excellence – Supply Chain Management
B6 Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Management Excellence – Responsible Investment Management Excellence – Operational Compliance Advertising and labelling matters are not disclosed in the Report due to their irrelevancy to the Company's businesses.
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
B7 Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Management Excellence – Professional Ethics and Business Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
Community			
B8 Community	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Giving Back to Society

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 66 to 169, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 financial instruments classified as level 3 under fair value hierarchy

We identified the valuation of financial instruments classified as level 3 under the fair value hierarchy ("Level 3 financial instruments") as a key audit matter due to the significance of the judgement and estimates made by management and the subjectivity in the determination of level 3 fair value given the lack of availability of market-based data. When determining the fair value, management is required to make significant estimates and judgment including consideration of significant unobservable inputs as disclosed in Note 50(c).

The fair value of financial assets at fair value through profit or loss ("FVTPL") classified as level 3 is HK$1,413 million, as at 31 December 2019.

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

- Examining the relevant investment contracts for the key terms and the relevant contractual rights and obligations of the financial instruments;
- Understanding the valuation techniques and the processes performed by the management or third party qualified valuers and the management's review process of the work of the third party professional valuers;
- Discussing with management, together with our own internal valuation experts, where necessary, the valuation of the Level 3 financial instruments, and:

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

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

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

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

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

We identified the impairment of loan and debt instruments and finance lease receivables under the ECL model as a key audit matter due to the significant judgement and estimation by management to determine the ECL amount at the reporting date.

As detailed in Note 5 to the consolidated financial statements, the ECL measurement involves significant management judgement in (i) the selection of appropriate model and key inputs used in the ECL model, including the probability of default ("PD") and loss given default ("LGD"), and (ii) the selection and use of reasonable and supportable forward-looking information available without undue cost or effort in the ECL model to estimate the future movement of different economic drivers and how these drivers will affect each other and the correlation with the key inputs, including the PD and LGD.

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

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

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

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

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

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter

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

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

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

The total gross amount of loan and debt instruments and finance lease receivables, as at 31 December 2019 are HK$2,013 million and HK$1,421 million less impairment loss of HK$727 million and HK$335 million respectively.

Please see Notes 24, 23 and 50(b) to the consolidated financial statements.

For the loan and debt instruments and finance lease receivables classified as stage 3, our procedures included:

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

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

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

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

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

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

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

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Recognition of revenue from construction contracts	
We identified the contract revenue from construction as a key audit matter due to significance judgments involved in the management's assessment process. The contract revenue of construction contracts amounting to approximately HK$643 million was disclosed in Note 17 to the consolidated financial statements. The Group recognised revenue from construction contracts according to the management's estimation of the progress and outcome of the projects. As disclosed in Note 5 to the consolidated financial statements, the management estimated the contract revenue based on the progress of each construction contract as evidenced by amount and timing of certificate issued by the customers or other relevant information.	Our procedures in relation to the revenue from construction contracts included: • Obtaining an understanding from the management of the procedures and controls in place for recognition of revenue from construction contracts; • Discussing with the project managers to understand the status of completion of the relevant construction projects during the year on a sampling basis; and • Evaluating the reasonableness of contract revenue recognised by checking to the latest certificate issued by the customer or customer's correspondences documents for the verification of the value of work already performed during the period on a sample basis.

Independent Auditor's Report

Other Information

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chu Wai Chung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations			
Revenue			
Dividend income	7	**56,297**	103,765
Service income	7	**51,957**	171,950
Interest income from loan and debt instruments	7	**208,168**	338,019
Interest income from finance lease receivables	7	**96,078**	130,861
Interest income from financial assets at FVTPL	7	**98,690**	166,051
		511,190	910,646
Net losses on fair value changes of financial investments and derivatives	8	**(216,431)**	(167,268)
Net other losses	9	**(45,460)**	(54,411)
Net (recognition) reversal of impairment losses	10	**(937,067)**	30,250
Other income	11	**10,375**	43,227
Staff costs		**(49,024)**	(81,378)
Other operating expenses		**(177,591)**	(197,764)
Finance costs	12	**(305,845)**	(404,567)
(Loss) profit before tax	13	**(1,209,853)**	78,735
Income tax credit	16	**5,834**	13,871
(Loss) profit for the year from continuing operations		**(1,204,019)**	92,606
Discontinued operation			
Profit (loss) for the year from a discontinued operation	17	**277,037**	(20,113)
(Loss) profit for the year		**(926,982)**	72,493
(Loss) profit for the year attributable to ordinary shareholders of the Company			
– from continuing operations		**(1,267,237)**	29,363
– from discontinued operation		**277,037**	(20,113)
(Loss) profit for the year attributable to ordinary shareholders of the Company		**(990,200)**	9,250
(Loss) profit for the year attributable to holder of perpetual capital instrument			
– from continuing operations		**63,218**	63,243
– from discontinued operation		**–**	–
		63,218	63,243
		(926,982)	72,493

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000 (Restated)
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(3,423)**	(24,334)
Other comprehensive (expense) income for the year, net of tax		**(3,423)**	(24,334)
Total comprehensive (expense) income for the year		**(930,405)**	48,159
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
Ordinary shareholders of the Company		**(993,623)**	(15,084)
Holder of the perpetual capital instrument		**63,218**	63,243
		(930,405)	48,159
(Loss) earnings per share			
From continuing and discontinued operations			
– Basic (HK cents)	*19*	**(54.53)**	0.51
From continuing operations			
– Basic (HK cents)	*19*	**(69.78)**	1.62

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	20	**33,131**	78,239
Intangible asset		**1,840**	1,840
Right-of-use assets	21	**131,685**	–
Financial investments	22	**885,225**	1,746,740
Finance lease receivables	23	**534,180**	988,144
Loan and debt instruments	24	**–**	1,268,288
Rental deposits	26	**21,500**	27,356
Total non-current assets		**1,607,561**	4,110,607
CURRENT ASSETS			
Contract assets	25	**–**	130,924
Trade and other receivables	26	**43,490**	279,909
Financial investments and derivatives	22	**1,839,809**	2,975,962
Finance lease receivables	23	**552,020**	463,767
Loan and debt instruments	24	**1,285,548**	1,568,867
Amounts due from fellow subsidiaries	33, 48(c)	**1,580**	3,268
Amounts due from an intermediate holding company	33, 48(c)	**258**	–
Tax recoverable		**2,725**	6,228
Deposits in other financial institutions	27	**89,957**	139,749
Bank balances and cash	28	**927,246**	738,955
Total current assets		**4,742,633**	6,307,629
CURRENT LIABILITIES			
Trade and other payables	29	**39,065**	331,651
Obligations under finance leases	30	**–**	3,782
Interest-bearing borrowings	31	**676,218**	2,221,381
Financial assets sold under repurchase agreements	32	**97,101**	511,853
Amounts due to fellow subsidiaries	33, 48(c)	**13,671**	44,840
Amount due to an intermediate holding company	33, 48(c)	**–**	19
Amount due to the immediate holding company	33, 48(c)	**40,687**	153,050
Amounts due to related parties	48(c)	**–**	14,326
Lease liabilities	34	**65,083**	–
Contract liabilities	35	**–**	40,000
Tax payables		**39,820**	47,538
Derivative financial liabilities	22	**1,414**	417
Total current liabilities		**973,059**	3,368,857
NET CURRENT ASSETS		**3,769,574**	2,938,772
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,377,135**	7,049,379

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases	*30*	**–**	3,946
Interest-bearing borrowings	*31*	**3,903,905**	4,784,454
Lease liabilities	*34*	**172,824**	–
Deposit from finance lease customers	*29*	**18,035**	35,468
Deferred tax liabilities	*36*	**–**	9,732
Total non-current liabilities		**4,094,764**	4,833,600
NET ASSETS		**1,282,371**	2,215,779
CAPITAL AND RESERVES			
Share capital	*37*	**18,160**	18,160
Perpetual capital instrument	*39*	**1,392,794**	1,329,576
Reserves		**(128,583)**	868,043
TOTAL EQUITY		**1,282,371**	2,215,779

The consolidated financial statements on pages 66 to 169 were approved by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Mr. Yu Meng
DIRECTOR

Mr. Xu Xiaowu
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to ordinary shareholders of the Company									
	Share capital HK$'000 (Note 37)	Share premium HK$'000 (Note a)	Capital reserve HK$'000 (Note b)	Merger reserve HK$'000 (Note c)	Statutory reserve HK$'000 (Note d)	Exchange reserve HK$'000	Retained earnings (accumulated losses) HK$'000	Subtotal HK$'000	Perpetual capital instrument HK$'000	Total HK$'000
At 1 January 2018	18,160	558,060	7,164	(87,838)	24,431	25,203	356,107	901,287	1,266,333	2,167,620
Profit for the year	–	–	–	–	–	–	9,250	9,250	63,243	72,493
Other comprehensive expense for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(24,334)	–	(24,334)	–	(24,334)
Total comprehensive (expense) income for the year	–	–	–	–	–	(24,334)	9,250	(15,084)	63,243	48,159
Appropriation to statutory reserve	–	–	–	–	11,244	–	(11,244)	–	–	–
At 31 December 2018	18,160	558,060	7,164	(87,838)	35,675	869	354,113	886,203	1,329,576	2,215,779
At 31 December 2018	18,160	558,060	7,164	(87,838)	35,675	869	354,113	886,203	1,329,576	2,215,779
Effect arising from initial application of HKFRS 16	–	–	–	–	–	–	(3,003)	(3,003)	–	(3,003)
At 1 January 2019 (restated)	**18,160**	**558,060**	**7,164**	**(87,838)**	**35,675**	**869**	**351,110**	**883,200**	**1,329,576**	**2,212,776**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(990,200)**	**(990,200)**	**63,218**	**(926,982)**
Other comprehensive expense for the year:										
Exchange differences on translation of translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(3,423)**	**–**	**(3,423)**	**–**	**(3,423)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(3,423)**	**(990,200)**	**(993,623)**	**63,218**	**(930,405)**
At 31 December 2019	**18,160**	**558,060**	**7,164**	**(87,838)**	**35,675**	**(2,554)**	**(639,090)**	**(110,423)**	**1,392,794**	**1,282,371**

Notes:

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

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
NET CASH FROM OPERATING ACTIVITIES	*46*	**2,379,436**	3,075,273
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		**(29,320)**	(39,702)
Proceeds from disposal of plant and equipment		**20,218**	9,563
Purchase of financial investments		**(145,256)**	(398,835)
Proceeds from disposal of financial investments		**995,778**	279,920
Refund of rental deposits		**869**	61
Repayment from related parties		**–**	26
Repayment from fellow subsidiaries		**1,688**	97,697
Repayment from the immediate holding company		**–**	2,800
Advance to an intermediate holding company		**(258)**	–
Release of pledged bank deposits		**–**	953,658
Net cash outflows from disposal of a subsidiary	*42*	**(14,802)**	–
NET CASH FROM INVESTING ACTIVITIES		**828,917**	905,188
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings raised		**1,873,087**	7,078,168
Repayments of interest-bearing borrowings		**(4,287,857)**	(11,101,553)
Proceeds from financial assets sold under repurchase agreements		**748,007**	1,175,139
Repayments of financial assets sold under repurchase agreements		**(1,162,586)**	(663,286)
Capital element of finance lease rentals paid		**–**	(8,575)
Interest element of finance lease rentals paid		**–**	(336)
Repayments of lease liabilities		**(73,726)**	–
Interest paid		**(135,105)**	(414,686)
Advance from related parties		**–**	2,124
Advance from a fellow subsidiary		**4,498**	35,755
Repayment to fellow subsidiaries		**(5,665)**	–
Repayment to an intermediate holding company		**(19)**	(8,677)
Advance from the immediate holding company		**–**	153,050
NET CASH USED IN FINANCING ACTIVITIES	*45*	**(3,039,366)**	(3,752,877)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**168,987**	227,584
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**738,955**	552,884
EFFECT OF FOREIGN EXCHANGE RATE CHANGE, NET		**19,304**	(41,513)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*28*	**927,246**	738,955

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 16/F and 17/F, Two Pacific Place, 88 Queensway, Hong Kong.

The Company acts as an investment holding company and the principal activities of the Company and its subsidiaries (the "Group") are (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services (which was discontinued in December 2019, please refer to note 17 for details).

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

2. Basis of Preparation of the 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.

The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 has been restated in order to disclose the discontinued operation separately from continuing operations.

3. Application of New and Amendments to HKFRSs

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

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

3.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease.

Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application. For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

3.1 HKFRS 16 Leases (continued)

As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

In accordance with the transitional provisions in HKFRS 16, the Group:

– recognises a lease liability at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group measured that lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application; and

– recognises a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying HKAS 17. The Group chooses, on a lease-by-lease basis, to measure that right-of-use asset at either:

  (i) its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application by applying HKFRS 16.C8(b)(i); or

  (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii).

The Group has applied the above transitional approach (i) and (ii) to measure the right-of-use assets on the leases entered by the foundation and substructure construction services operation (which was discontinued during the year) and the remaining continuing operations respectively.

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

3.1 HKFRS 16 Leases (continued)

As a lessee (continued)

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK$316,334,000 and right-of-use assets of HK$299,719,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied by the relevant group entities range from 4.38% to 4.63%.

	Note	**At 1 January 2019 HK$'000**
Operating lease commitments disclosed as at 31 December 2018		**356,972**
Less: Discounting impact at the relevant incremental borrowing rates		**(39,037)**
Less: Recognition exemption – short-term leases		**(9,329)**
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		**308,606**
Add: Obligations under finance leases recognised at 31 December 2018	*(c)*	**7,728**
Lease liabilities as at 1 January 2019		**316,334**
Analysed as		
Current		**70,720**
Non-current		**245,614**
		316,334

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

3.1 HKFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 is presented as follows:

	Note	**Right-of-use assets HK$'000**
Right-of-use assets relating to operating leases recognised upon application of HKFRS		**288,381**
Amount included in plant and equipment under HKAS 17 – Asset previously under finance leases	*(b)*	**11,338**
		299,719
By class:		
Land and buildings		**288,381**
Machinery		**10,054**
Motor vehicles		**1,284**
		299,719

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Sales and leaseback transactions

The Group acts as a buyer-lessor in accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of HKFRS 15 as a sale. There are no new sales and leaseback transactions entered into after the date of initial application of HKFRS 16.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

3.1 HKFRS 16 Leases (continued)

The following table summarises the impact of transition to HKFRS 16 on retained earnings at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 HK$'000
Retained earnings	354,113
Impact at 1 January 2019	(3,003)
	351,110

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts Previously Reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
NON-CURRENT ASSETS				
Plant and equipment	*(b)*	78,239	(11,338)	66,901
Finance lease receivables	*(d)*	988,144	(8,247)	979,897
CURRENT ASSETS				
Finance lease receivables	*(d)*	463,767	(63)	463,704
EQUITY				
Retained earnings		354,113	(3,003)	351,110
CURRENT LIABILITIES				
Trade and other payables	*(a), (d)*	331,651	(17,285)	314,366
Obligations under finance leases	*(c)*	3,782	(3,782)	–
Lease liabilities		–	70,720	70,720
NON-CURRENT LIABILITIES				
Obligations under finance leases	*(c)*	3,946	(3,946)	–
Deposit from finance lease customers	*(d)*	35,468	(8,247)	27,221
Lease liabilities		–	245,614	245,614

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

3.1 HKFRS 16 Leases (continued)

The following table summarises the impact of applying HKFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

The directors of the Company consider the impact of applying HKFRS 16 as a lessor on the Group's consolidated statement of profit or loss and other comprehensive income and cash flows for the current year is not significant.

Impact on the consolidated statement of financial position

	Note	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 16, as a lessor HK$'000
NON-CURRENT ASSETS				
Finance lease receivables	*(e) & (f)*	534,180	(51,948)	482,232
CURRENT ASSETS				
Finance lease receivables	*(e) & (f)*	552,020	(25,471)	526,549
CURRENT LIABILITIES				
Trade and other payables	*(e)*	39,065	250	39,315
NON-CURRENT LIABILITIES				
Deposit from finance lease customers	*(e)*	18,035	2,963	20,998

(a) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was reversed at transition.

(b) In relation to assets previously under finance leases, the Group recategorised the carrying amount of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$11,338,000 as right-of-use assets.

(c) The group reclassified the obligation under finance leases of HK$3,782,000 and HK$3,946,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

3.1 HKFRS 16 Leases (continued)

Impact on the consolidated statement of financial position (continued)

(d) Before application of HKFRS 16, refundable deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the finance lease receivables and were adjusted to reflect the discounting effect at transition. Accordingly, HK$8,310,000 was adjusted from deposit from finance lease customers to finance lease receivables.

(e) The adjustment related to increase in deposits from finance lease receivables and finance lease receivables if the discounting effects for refundable deposits were not adjusted.

(f) During the year, the Group entered into an agreement to share its office premises to a fellow subsidiary of the Company. The directors of the Company consider the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the fellow subsidiary as the lessee, the contract is classified as a finance lease. The right-of-use assets amounting to HK$80,632,000 was then reclassified to finance lease receivable during the year. If HKAS 17 were applied, there would have no such finance lease receivable recognised.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
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 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and amendments to HKFRSs in issue but not yet effective (continued)

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. Significant Accounting Policies

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Significant Accounting Policies (continued)

Basis of consolidation (continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue recognition

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

4. Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

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

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

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

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

Output method

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

The revenue from construction service is recognised over time by using output method. The revenue from provision of certain business consulting and financing service is recognised over time when the relevant service is transferred to the customers. The revenue from provision of certain business consulting service is recognised at a point in time when the service is rendered.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) (continued)

Lease modifications (continued)

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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.

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).

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.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest 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.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

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

Notes to the Consolidated Financial Statements

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4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions (prior to 1 January 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a buyer-lessor

For sale and leaseback transactions which are in substance a financing arrangement under HKFRS 9, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the net investment in the lease.

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4. Significant Accounting Policies (continued)

Foreign currencies

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

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

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

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

Borrowing costs

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

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

Retirement benefit costs and termination benefits

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

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

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.

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Significant Accounting Policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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.

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.

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.

4. Significant Accounting Policies (continued)

Intangible assets

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

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

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

Interest expenses is recognised on an effective interest basis.

Financial assets

<u>Classification and subsequent measurement of financial assets</u>

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at financial assets at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, loan and debt instruments, amounts due from fellow subsidiaries, and an intermediate holding company, bank balances and cash, rental deposits and deposits in other financial institutions) and other items (including contract assets and finance lease receivables) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

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

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually.

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

(i) Significant increase in credit risk

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

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

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

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

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4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivables, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivables in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

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

- Nature of financial instruments;
- Past-due status;
- Nature and industry of debtors; and
- Collateral type

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

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL – continued

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of contract assets, trade receivables, finance lease receivables, loan and debt instruments and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings (accumulated losses).

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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.

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4. Significant Accounting Policies (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

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

Financial liabilities

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

(i) Financial liabilities at FVTPL

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

A financial liability is held for trading if:

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

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

(ii) Financial liabilities at amortised cost

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. Significant Accounting Policies (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

(iii) Financial assets sold under repurchase agreements

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

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

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

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

Derecognition of financial liabilities

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

Impairment on plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Notes to the Consolidated Financial Statements

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4. Significant Accounting Policies (continued)

Impairment on plant and equipment, right-of-use assets and intangible assets (continued)

The recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Restoration provisions

Provisions for the costs to restore leased assets to their original condition, as required by the terms and conditions of the lease, are recognised at the date of inception of the lease at the directors' best estimate of the expenditure that would be required to restore the assets. Estimates are regularly reviewed and adjusted as appropriate for new circumstances.

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

The Group selects appropriate valuation techniques for financial instruments not quoted in an active market and making assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques commonly used by market practitioners are applied. The inputs are taken from observable markets where possible, but where this is not feasible, unobservable data is used based on the judgement of the directors of the Company. The detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of these financial assets and liabilities are set out in Note 50(c).

Construction contracts

The Group recognised contract revenue according to the management's estimation of the progress and outcome of the project. Recognition of construction income is determined in accordance with the terms set out in the relevant contracts. The management estimate of revenue and the completion status of construction works requires significant judgement and has a significant impact on the amount and timing of revenue recognised. The management estimated the contract revenue based on the progress of each construction contract and certificate issued by the customers or other relevant information.

Provision of ECL for loan and debt instruments and finance lease receivables

The directors of the Company estimate the amount of loss allowance for ECL on loan and debt instruments and finance lease receivables based on the credit risk of the respective asset. The assessment of the credit risk involves a high degree of estimation and uncertainty. The information about the ECL and loan and debt instruments and finance lease receivables are disclosed in notes 50(b), 24 and 23 to the consolidated financial statement respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

5. Significant Accounting Judgments and Estimates (continued)

Provision of ECL for loan and debt instruments and finance lease receivables (continued)

Incorporation of forward-looking information

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

Measurement of ECL

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions with management's judgments involved. Those statistical information is based on market data (where available), as well as internal data comprising both quantitative and qualitative factors.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements with significant judgments involved. The LGD information for secured assets includes forecasts of future collateral valuation of the secured assets, seniority of claim and time to recovery. The LGD information for unsecured assets includes duration of recovery, recovery rates, market data and seniority of claims.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.

Significant increase in credit risk in measurement of ECL

As explained in Note 4, the Group monitors finance lease receivables and all financial assets at amortised cost other than trade receivables that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information available without undue cost or effort with significant judgments involved. Information that will be taken into account when assessing whatever there is significant increase in credit risks are set out in "Impairment of financial assets and other items subject to impairment assessment under HKFRS 9" in Note 4.

5. Significant Accounting Judgments and Estimates (continued)

Credit-impaired loan and debt instruments and finance lease receivables classified as stage 3

In assessing the lifetime ECL on credit-impaired loan and debt instruments and finance lease receivables classified as stage 3, the Group performs the assessment based on (i) the Group's historical credit loss experience, adjusted for factors that are specific to the debtors or borrowers, which include any significant financial difficulty of the debtors or borrowers, breach of contract or probability that the debtors or borrowers will enter into bankruptcy and the status and progress of financial restructuring, (ii) general economic conditions and (iii) both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, in determining the impairment amount, the Group also reviews and assesses the fair value of the collateral received from the debtors or borrowers with the involvement of third party qualified valuers, if necessary. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly by the Group to reduce material differences between loss estimates and actual loss experience. Relevant information with regard to the exposure of credit risk and ECL are set out in respective notes to the consolidated financial statements.

6. Operating Segment Information

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

For the management reporting purpose, the Group was previously organised into three business lines: (a) direct investments, (b) financial services and others, and (c) foundation and substructure construction operations until the foundation and substructure construction operation was disposed in December 2019.

The foundation and substructure construction segment was discontinued in the current year upon the disposal of a subsidiary of the Company, Auto Brave Limited, which carried out all of the Group's foundation and substructure construction operation. Information about the discontinued operation is provided in note 17. Since the disposal was completed on 9 December 2019, the foundation and substructure construction segment is presented as a discontinued operation. The comparative figures in operating segment information have been restated to exclude the foundation and substructure construction operation from segment results.

These business lines are the basis on which the Group reports information to its chief operating decision makers, who are the executive directors of the Company ("executive directors") and the senior management of the Company, for the purposes of resource allocation and assessment of segment performance. No operating segments have been aggregated in arriving at the reportable segments of the Group.

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

Continuing operations

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

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

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For the year ended 31 December 2019

6. Operating Segment Information (continued)

Segment revenues and results

The following tables present the revenue and results for the year ended 31 December 2019 and 2018 and certain assets, liabilities and other information for the Group's operating segments as at 31 December 2019 and 2018 and for the year then ended.

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

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

For the year ended 31 December 2019

	Continuing operations		
	Direct investments HK$'000	Financial services and others HK$'000	Consolidated HK$'000
Segment revenue	**363,155**	**148,035**	**511,190**
Segment result	**(894,406)**	**(169,073)**	**(1,063,479)**
Unallocated income and expenses			
Net other losses			**(51,166)**
Other income			**7,514**
Other operating expenses			**(77,115)**
Finance costs			**(25,607)**
Loss before tax			**(1,209,853)**

For the year ended 31 December 2018 (Restated)

	Continuing operations		
	Direct investments HK$'000	Financial services and others HK$'000	Consolidated HK$'000
Segment revenue	607,835	302,811	910,646
Segment result	89,389	143,776	233,165
Unallocated income and expenses			
Net other losses			(54,411)
Other income			33,321
Other operating expenses			(91,340)
Finance costs			(42,000)
Profit before tax			78,735

The accounting policies of the reportable and operating segments are same as the Group's accounting policies described in Note 4. Segment result represents the profit or loss earned by each segment without allocation of certain net other losses, certain other income and finance costs and certain other operating expenses. The Group allocated certain finance costs and certain net gains on fair value changes of financial investments and derivatives to segments without allocating the related interest-bearing borrowings and certain financial investments to that segment assets and liabilities. 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:

	2019 HK$'000	2018 HK$'000
Segment assets		
Continuing operations		
Direct investments	4,069,756	6,511,348
Financial services and others	1,134,607	1,700,611
Foundation and substructure construction services (discontinued)	–	259,708
Total segment assets	5,204,363	8,471,667
Unallocated corporate assets	1,145,831	1,946,569
Total consolidated assets	6,350,194	10,418,236
Segment liabilities		
Continuing operations		
Direct investments	117,814	1,022,460
Financial services and others	225,468	289,792
Foundation and substructure construction services (discontinued)	–	558,543
Total segment liabilities	343,282	1,870,795
Unallocated corporate liabilities	4,724,541	6,331,662
Total consolidated liabilities	5,067,823	8,202,457

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. Operating Segment Information (continued)

Other segment information

For the year ended 31 December 2019

	Continuing operations			
	Direct investments HK$'000	Financial services and others HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profits or segment assets:				
Net recognition of impairment losses	(686,632)	(250,435)	–	(937,067)
Net (losses) gains on fair value changes of financial investments and derivatives	(229,094)	12,663	–	(216,431)
Finance costs	(230,680)	(49,558)	(25,607)	(305,845)
Depreciation	–	(4,477)	(68,316)	(72,793)
Impairment loss on plant and equipment	–	–	(26,872)	(26,872)
Additions to non-current assets *(Note)*	–	95	56,607	56,702

For the year ended 31 December 2018 (Restated)

	Continuing operations			
	Direct investments HK$'000	Financial services and others HK$'000	Unallocated HK$'000	Sub-total HK$'000
Amounts included in the measure of segment profits or segment assets:				
Net reversal (recognition) of impairment losses	73,537	(43,287)	–	30,250
Net (losses) gains on fair value changes of financial investments and derivatives	(218,506)	46,348	–	(167,268)
Finance costs	(275,162)	(87,405)	(42,000)	(404,567)
Depreciation	–	(291)	(8,166)	(8,457)
Additions to non-current assets *(Note)*	–	20	215	235

Note: Non-current assets represent plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. Operating Segment Information (continued)

Geographical information

During the years ended 31 December 2019 and 2018, the Group's continuing operations are located in Hong Kong and the PRC and the Group's discontinued operation is located in Hong Kong. Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets (Note)	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Continuing operations				
The PRC	**206,333**	319,056	**1,953**	1,958
Hong Kong (country of domicile)	**304,857**	591,590	**164,703**	13,594
	511,190	910,646	**166,656**	15,552

Note: Non-current assets excluded financial instruments and finance lease receivables.

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Continuing operations		
Customer A	**95,542[1]**	109,251[1]

[1] Revenue from both direct investments and financial services and others.

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For the year ended 31 December 2019

7. Revenue

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

Segment	Continuing operations Financial services and others HK$'000	Discontinued operation Foundation and substructure construction services HK$'000	Total HK$'000
Type of service			
Income from construction services	–	643,266	643,266
Income from provision of business consulting services, financing services and others	51,957	–	51,957
Total	51,957	643,266	695,223
Geographical markets			
Mainland China	44,157	–	44,157
Hong Kong	7,800	643,266	651,066
Total	51,957	643,266	695,223
Timing of revenue recognition			
A point in time	–	–	–
Over time	51,957	643,266	695,223
Total	51,957	643,266	695,223
Revenue from contracts with customers			695,223
Interest and dividend income from continuing operations:			
Interest income from loan and debt instruments at amortised cost (under effective interest method)			208,168
Interest income from finance lease receivables *(Note (ii))*			96,078
Interest income from financial assets at FVTPL (under effective interest method)			98,690
Dividend income			56,297
Total			1,154,456

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

7. Revenue (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

For the year ended 31 December 2018

Segment	Continuing operations Financial services and others HK$'000	Discontinued operation Foundation and substructure construction services HK$'000	Total HK$'000
Type of service			
Income from construction services	–	585,456	585,456
Income from provision of business consulting services, financing services and others	171,950	–	171,950
Total	171,950	585,456	757,406
Geographical markets			
Mainland China	88,983	–	88,983
Hong Kong	82,967	585,456	668,423
Total	171,950	585,456	757,406
Timing of revenue recognition			
A point in time	109,487	–	109,487
Over time	62,463	585,456	647,919
Total	171,950	585,456	757,406
Revenue from contracts with customers			757,406
Interest and dividend income from continuing operations:			
Interest income from loan and debt instruments at amortised cost (under effective interest method)			338,019
Interest income from finance lease receivables *(Note (ii))*			130,861
Interest income from financial assets at FVTPL (under effective interest method)			166,051
Dividend income			103,765
Total			1,496,102

Note:

(i) Segment revenue from financial services and others includes income from provision of business consulting services, financing services and others and interest income from finance lease receivables (from continuing operations). The remaining revenue from continuing operations represent segment revenue from direct investments.

(ii) Interest income from finance lease receivables represents finance income on the net investment in the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

7. Revenue (continued)

(ii) Performance obligations for contracts with customers

Financial services and others (continuing operation)

The Group provides business consulting services and financing service to customers. The performance obligation is satisfied when the business consulting services and financing service is completed. Certain revenue is recognised at specific point of time when the service is rendered and certain revenue is recognised over time when the service is transferred to the customers.

Foundation and substructure construction services (discontinued operation)

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

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

Continuing operations

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

Discontinued operation

As referred to in note 17, the Group discontinued its foundation and substructure construction operations on 9 December 2019. The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) for contracts with customers under foundation and substructure construction operations as at 31 December 2018 and the expected timing of recognising revenue were as follows:

	Foundation and substructure construction services 31.12.2018 HK$'000
Within one year	675,780
More than one year but not more than two years	406,906
	1,082,686

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

8. Net Losses on Fair Value Change of Financial Investments and Derivatives

	2019 HK$'000	2018 HK$'000
Net losses on fair value change of financial investments and derivatives	**(216,431)**	(167,268)

9. Net other Losses

An analysis of net other losses is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Net exchange losses	**(24,294)**	(54,411)
Net loss on disposal of plant and equipment	**(126)**	–
Gains on non-substantial modification of loan and debt instruments measured at amortised cost	**5,832**	–
Recognition of impairment losses on plant and equipment	**(26,872)**	–
	(45,460)	(54,411)
Discontinued operation		
Net gain on disposal of plant and equipment	**5,481**	2,306
	(39,979)	(52,105)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

10. Net (Recognition) Reversal of Impairment Losses

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Net recognition of impairment losses on trade receivables	**(47,469)**	–
Net recognition of impairment losses on finance lease receivables	**(202,966)**	(43,287)
Net (recognition) reversal of impairment losses on loan and debt instruments	**(686,632)**	73,537
	(937,067)	30,250
Discontinued operation		
Net (recognition) reversal of impairment losses on contract assets	**(1,576)**	12,288
Net recognition of impairment losses on trade and other receivables	**(325)**	(494)
	(1,901)	11,794
	(938,968)	42,044

11. Other Income

An analysis of other income is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Bank interest income	**7,514**	33,321
Others	**2,861**	9,906
	10,375	43,227
Discontinued operation		
Bank interest income	**26**	23
Others	**16,019**	2,785
	16,045	2,808
	26,420	46,035

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

12. Finance Costs

An analysis of finance costs is as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Financial assets sold under repurchase agreements at amortised cost (under effective interest method)	11,465	5,587
Interest-bearing borrowings at amortised cost (under effective interest method)	281,729	398,980
Interest on lease liabilities	12,651	–
	305,845	404,567
Discontinued operation		
Interest-bearing borrowings at amortised cost (under effective interest method)	2,396	5,097
Interest on lease liabilities/obligations under finance leases	293	336
	2,689	5,433
	308,534	410,000

13. (Loss) Profit Before Tax

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

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Staff costs (including directors' emoluments)		
– Salaries, allowances and benefits in kind	42,729	76,096
– Retirement benefits scheme contributions	6,295	5,282
Total staff costs	49,024	81,378
Depreciation in respect of plant and equipment		
– Owned assets	8,060	8,457
Depreciation of right-of-use assets	64,733	–
Auditor's remuneration		
– Audit services	1,400	2,800
– Non-audit services	450	930
	1,850	3,730

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

14. Directors' and Chief Executive's Remuneration

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

For the year ended 31 December 2019

	Notes	Directors' fee HK$'000	Salaries allowances, and benefits in kind HK$'000	Retirement benefits HK$'000	Total HK$'000
Executive directors					
Mr. Yu Meng *(Chairman)*	*(a)*	–	812	67	879
Mr. Xu Xiaowu *(Chief Executive Officer)*	*(b)*	–	802	50	852
Mr. Zhang Fan	*(c)*	–	266	48	314
Mr. Chen qinghua	*(d)*	–	136	8	144
Mr. Liu Xiguang	*(e)*	–	780	70	850
Mr. Kwan Wai Ming	*(f)*	–	1,210	17	1,227
Non-executive directors					
Ms. Lin Xueqin	*(g)*	–	–	–	–
Ms. Zhao Yingxuan	*(h)*	–	–	–	–
Independent non-executive directors					
Mr. Tse Chi Wai		240	–	–	240
Mr. Chan Kee Huen Michael		240	–	–	240
Dr. Lam Lee G.		240	–	–	240
Dr. Fang Fuqian	*(i)*	96	–	–	96
Total		816	4,006	260	5,082

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

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

For the year ended 31 December 2018

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

Notes:

(a) Appointed as the chairman of the Board and executive director on 27 November 2018.

(b) Resigned as an executive director on 13 March 2018 and re-appointed as an executive director on 8 July 2019.

(c) Resigned as an executive director on 17 April 2019.

(d) Appointed as an executive director on 9 December 2019.

(e) Resigned as an executive director on 8 July 2019.

(f) Resigned as an executive director on 17 September 2019.

(g) Resigned as a non-executive director on 8 July 2019.

(h) Appointed as a non-executive director on 8 July 2019 and resigned as a non-executive director on 9 December 2019.

(i) Resigned as an independent non-executive director on 24 May 2019.

(j) Resigned as the chairman of the Board and an executive director on 27 November 2018.

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

During the year, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for the loss of office (2018: nil).

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

No significant transactions nor 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 (2018: nil).

15. Five Highest Paid Employees

The five highest paid employees included two (2018: three) directors of the Company for the year ended 31 December 2019, details of whose remuneration are set out in Note 14 above. Details of the remuneration for the year of the three (2018: two) highest paid employees who are non-directors of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	4,364	3,253
Pension scheme contributions	112	234
	4,476	3,487

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

	2019 Number of employees	2018 Number of employees
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	1	2
	3	2

16. Income Tax (Credit) Expense

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

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

16. Income Tax (Credit) Expense (continued)

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.

	2019 HK$'000	2018 HK$'000 (Restated)
Continuing operations		
Current tax		
Hong Kong	356	7,944
PRC Enterprise Income Tax	15,878	27,692
	16,234	35,636
Overprovision in prior year		
Hong Kong	(4,115)	(30,803)
PRC Enterprise Income Tax	(9,558)	(11,939)
	(13,673)	(42,742)
Total current tax	2,561	(7,106)
Current tax	2,561	(7,106)
Deferred tax	(8,395)	(6,765)
Total	(5,834)	(13,871)

The tax credit for the year can be reconciled to the (loss) profit before tax from continuing operations per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000 (Restated)
(Loss) profit before tax from continuing operations	(1,209,853)	78,735
Tax at the domicile tax rate of 16.5% (2018: 16.5%)	(199,626)	12,991
Income not subject to tax	(36,509)	(28,405)
Expenses not deductible for tax	113,602	25,975
Overprovision in respect of prior year	(13,673)	(42,742)
Tax effect of deductible temporary differences not recognised	102,511	4,405
Effect of tax losses not recognised	22,491	4,491
Effect of different tax rate of subsidiaries operating on other jurisdiction	5,370	9,414
Tax credit for the year (from continuing operations)	(5,834)	(13,871)

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17. Discontinued Operation

On 27 September 2019, the Company and Acute Peak Investments Limited ("Acute Peak"), which is 50% owned by Mr. Kwan Wai Ming ("Mr. Kwan"), an ex-executive director of the Company and a director of Acute Peak, and Mr. Leung Kam Chuen ("Mr. Leung"), a director of Acute Peak, entered into a share purchase agreement in relation to the disposal, pursuant to which the Company agreed to sell, and Acute Peak agreed to purchase, the entire issued share capital of a subsidiary of the Company, Auto Brave Limited and its subsidiaries (the "Disposal group"), which carried out all of the Group's foundation and substructure construction operation, at the consideration of HK$290,000,000 by setting off in full against the Group's obligations to repay the outstanding balance owned to the Disposal group amounting to HK$311,798,000. The disposal was effected to enable the Group to focus on its remaining businesses and was completed on 9 December 2019, on which date the control of Auto Brave Limited was passed to the acquirer. The consideration was satisfied in the repayment of HK$21,798,000 by the Company to the Disposal Group before the completion date of the disposal. Accordingly, the results of the Disposal Group for the year ended 31 December 2019 have been presented as a discontinued operation in the consolidated financial statements.

The loss for the period from the discontinued foundation and substructure construction operation is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the foundation and substructure construction operation as a discontinued operation.

	1.1.2019 9.12.2019 HK$'000	1.1.2018 31.12.2018 HK$'000
Loss of the foundation and substructure construction operation for the period	(6,788)	(20,113)
Gain on disposal of the foundation and substructure construction operation (see note 42)	283,825	–
	277,037	(20,113)

17. Discontinued Operation (continued)

The results of the foundation and substructure construction operation for the period from 1 January 2019 to 9 December 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income were as follows:

	9.12.2019 HK$'000	31.12.2018 HK$'000
Revenue		
Income from construction services	643,266	585,456
Total revenue	643,266	585,456
Other gains	5,481	2,306
Net reversal (recognition) of impairment losses	(1,901)	11,794
Other income	16,045	2,808
Labour costs for construction business	(50,368)	(50,716)
Other staff costs	(14,373)	(12,271)
Material and subcontractor costs	(483,622)	(449,168)
Other construction costs	(104,952)	(68,646)
Other operating expenses	(16,655)	(39,709)
Finance costs	(2,689)	(5,433)
Loss before tax	(9,768)	(23,579)
Income tax credit	2,980	3,466
Loss for the period/year	(6,788)	(20,113)

	2019 HK$'000	2018 HK$'000 (Restated)
Loss for the period/year from discontinued operation includes the followings:		
Gain on disposal of plant and equipment	5,481	2,306
Auditor's remuneration	252	252
Staff costs (included in labour costs for construction business and other staff cost)		
– Salaries, allowances and benefits in kind	62,653	61,262
– Retirement benefits scheme contributions	2,088	1,725
Total staff costs	64,741	62,987
Depreciation in respect of plant and equipment		
– Assets held under finance leases	–	4,605
– Owned assets	19,851	21,509
	19,851	26,114
Depreciation of right-of-use assets	9,665	–
Auditor's remuneration		
– Audit services	252	252
– Non-audit services	110	110
	362	362

During the year ended 31 December 2019, Auto Brave Limited contributed HK$19.52 million (2018: paid HK$(5.54) million) to the Group's net operating cash flows, contributed HK$11.92 million (2018: paid HK$(7.65) million) in respect of investing activities and paid HK$28.44 million (2018: paid HK$(3.08) million) in respect of financing activities.

The carrying amounts of the assets and liabilities of the Disposal group at the date of disposal are disclosed in note 42.

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18. Dividends

No dividends were paid or declared by the Company during the year or subsequently (2018: nil).

19. (LOSS) EARNINGS PER SHARE

For continuing operations

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

	2019 HK$'000	2018 HK$'000 (Restated)
(Loss) earnings		
(Loss) profit for the year attributable to the ordinary shareholders of the Company	(990,200)	9,250
Adjust for: Profit for the period (2018: loss for the year) from discontinued operation	(277,037)	20,113
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	(1,267,237)	29,363

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,816,000	1,816,000

From continuing and discontinued operations

The calculation of the basic earnings per share from continuing and discontinued operations attributable to the ordinary shareholders of the Company is based on the followings:

	2019 HK$'000	2018 HK$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic earnings per share	(990,200)	9,250

The denominator used is the same as that detail above for basic earnings per share.

From discontinued operation

Basic earnings per share for the discontinued operation is HK15.26 cents per share (2018: loss per share of HK1.11 cents per share), based on the profit for the period from the discontinued operation of HK$277,037,000 (2018: loss of HK$20,113,000) and the denominators detailed above for basic loss per share.

No diluted earnings per share for both 2019 and 2018 were presented as there were no potential ordinary shares in issue for both 2019 and 2018.

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20. Plant And Equipment

	Machinery HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Furniture and fixtures HK$'000	Total HK$'000
COST						
At 1 January 2018	127,056	14,356	14,961	20,611	3,104	180,088
Exchange adjustment	–	(62)	(164)	–	–	(226)
Additions	41,689	–	427	560	–	42,676
Disposals and written-off	(14,430)	–	(156)	(300)	–	(14,886)
At 31 December 2018	154,315	14,294	15,068	20,871	3,104	207,652
Adjustment upon application of HKFRS 16	(14,778)	–	–	(4,944)	–	(19,722)
At 1 January 2019 (restated)	139,537	14,294	15,068	15,927	3,104	187,930
Exchange adjustment	–	62	(119)	1	–	(56)
Additions	29,133	38,184	12,013	–	6,597	85,927
Disposals and written-off	(22,254)	–	(959)	(4,031)	–	(27,244)
Disposal of a subsidiary	(146,416)	(4,404)	(1,269)	(10,460)	(3,104)	(165,653)
At 31 December 2019	–	48,136	24,734	1,437	6,597	80,904
ACCUMULATED DEPRECIATION						
At 1 January 2018	78,730	6,835	3,862	11,605	1,484	102,516
Exchange adjustment	–	(10)	(35)	–	–	(45)
Charge for the year	21,889	3,480	4,547	3,881	774	34,571
Eliminated on disposals and written-off	(7,457)	–	(97)	(75)	–	(7,629)
At 31 December 2018	93,162	10,305	8,277	15,411	2,258	129,413
Adjustment upon application of HKFRS 16	(4,724)	–	–	(3,660)	–	(8,384)
At 1 January 2019 (restated)	88,438	10,305	8,277	11,751	2,258	121,029
Exchange adjustment	–	(1)	(84)	(2)	–	(87)
Charge for the year	18,036	3,363	4,441	1,362	709	27,911
Impairment loss *(Note)*	–	19,079	5,310	–	2,483	26,872
Eliminated on disposals and written-off	(9,602)	–	(609)	(2,170)	–	(12,381)
Disposal of a subsidiary	(96,872)	(4,404)	(1,037)	(10,291)	(2,967)	(115,571)
At 31 December 2019	–	28,342	16,298	650	2,483	47,773
CARRYING VALUES						
At 31 December 2019	–	19,794	8,436	787	4,114	33,131
At 31 December 2018	61,153	3,989	6,791	5,460	846	78,239

Note: During the year ended 31 December 2019, an impairment loss on leasehold improvements, office equipment and furniture and fixtures in an office was made as the estimated recoverable amount was lower than the carrying amount.

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20. Plant And Equipment (continued)

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

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

At 31 December 2018, the carrying value of machinery and motor vehicles included amount of HK$10,054,000 and HK$1,284,000 represented assets held under finance leases respectively, the Group recategorised the carrying amount amounting to HK$11,338,000 as right-of-use assets upon application of HKFRS 16 at 1 January 2019.

21. Right-of-Use Assets

	Land and buildings HK$'000	Machinery HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2019				
Carrying amount	288,381	10,054	1,284	299,719
As at 31 December 2019				
Carrying amount	131,685	–	–	131,685
For the year ended 31 December 2019				
Depreciation charge	69,329	3,088	1,981	74,398
Expense relating to short-term leases and other leases with lease terms ending within 12 months from the date of initial application of HKFRS 16				2,202
Total cash outflow for leases				88,872
Additions to right-of-use assets				4,559

For both years, the Group leases various offices, storage, staff quarters, machinery and motor vehicles for its operations. Lease contracts are entered into for fixed term of 12 months to 5 years. Certain leases of machinery and motor vehicles were accounted for as finance leases during the year ended 31 December 2018 and carried interest ranging from 2.60% to 4.80%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense under continuing operations disclosed above.

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22. Financial Investments and Derivatives

	2019 HK$'000	2018 HK$'000
Financial asset at FVTOCI		
Non-current		
– Unlisted equity security	–	650
Financial assets at FVTPL		
Non-current		
– Unlisted asset management plan *(Note (v))*	–	61,816
– Unlisted fund and debt investments *(Notes (i) and (viii))*	824,024	1,684,274
– Unlisted exchangeable note *(Note (vi))*	61,201	–
	885,225	1,746,090
Current		
– Equity securities listed in Hong Kong and Australia	122,190	273,376
– Listed debt instruments *(Note (iii))*	1,053,032	1,662,879
– Unlisted warrant	–	713
– Unlisted put options on equity securities *(Note (iv))*	51,435	141,787
– Unlisted fund investments *(Note (i))*	37,956	244,482
– Unlisted bonds and convertible bonds *(Note (ii))*	509,170	589,040
– Unlisted foreign exchange forward contracts	38,939	29,445
– Unlisted equity forward contracts *(Note (vii))*	26,110	–
– Unlisted foreign exchange option contract	977	–
– Unlisted equity security	–	34,240
	1,839,809	2,975,962
Financial liabilities at FVTPL		
Current		
– Unlisted foreign exchange swap and forward contracts	(1,414)	(417)
Analysed for reporting purposes as:		
Current assets	1,839,809	2,975,962
Non-current assets	885,225	1,746,740
	2,725,034	4,722,702
Current liabilities	(1,414)	(417)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

22. Financial Investments and Derivatives (continued)

Notes:

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

At 31 December 2019, included in the unlisted fund investments is the Group's subscription in an investment fund's subordinated units (with a capital contributed amounting to Renminbi ("RMB") 80 million, with a fair value at 31 December 2019 of nil), through which the unitholder (the Group) would be entitled to the gains or losses of the investment fund after the distribution of the capital contribution and expected returns to the other senior unitholders. According to an repurchase agreement entered into between the Group and the general partner of such investment fund, the Group has a right to put back such investment fund to its general partner at any time within an agreed period, at its capital contributed amounting to approximately RMB80 million by the Group, (with a fair value of nil at 31 December 2019).

(ii) The coupon rate of these convertible bonds are ranging from 5% to 8% (2018: from 4% to 8%) per annum. The Group expects to transfer such bonds and convertible bonds to third parties or realise the fair value through other means within the next twelve months.

On 16 January 2019, the Group was informed by an issuer that the maturity date of a convertible bond has been amended and extended to 16 January 2021. The conversion option expired on 16 July 2018. The investment is not held with a business model whose objective is achieved by collecting contractual cash flows or collecting contractual cash flows and selling of the investment. Accordingly, the investment was measured at FVTPL. As at 31 December 2019, the fair value of the instrument amounted to HK$57,987,000 (2018: HK$121,000,000), which was estimated by an independent valuer not connected to the Group.

On 10 April 2019, a demand letter was issued by the Group to the issuer of a convertible bond as in light of the crossed-default event, convertible bond immediately became due and the convertible option expired on the due date. As at 31 December 2019, the fair value of the instrument amounted to HK$409,120,000 (2018: HK$427,889,000), which was estimated by independent valuers not connected to the Group.

The remaining convertible bonds can be convertible into the ordinary shares of companies listed in Hong Kong and Australia at the option of the Group. The fair value of the convertible bonds were determined by an independent valuer not connected to the Group.

(iii) As at 31 December 2019, the Group entered into repurchase agreements with a financial institution to sell listed debt instruments recognised as financial assets at FVTPL with carrying amount of approximately HK$130,964,000 (31 December 2018: HK$654,279,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. These bonds are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities as the Group retains substantially all the risks and rewards of those listed debt instruments.

(iv) The fair value of the put options on equity securities were determined by independent valuers not connected to the Group. Those related equity securities listed in Australia amounted to HK$63,437,000 (2018: HK$90,396,000). Such put options are expected to be realised within twelve months after the end of the reporting period.

(v) The asset management plan is a structured plan managed by a financial institution for which underlying assets are subordinated asset-backed securities, mainly comprising of receivables traded on the national inter-bank bond market issued by China Merchants Bank Co., Ltd. The asset management plan has fully realised its underlying assets in 2019.

(vi) The unlisted exchangeable note represents a note with principal amount of HK$60,278,000 issued by a controlling shareholder of a listed company in Hong Kong with a conversion option to the ordinary shares of a listed company in Hong Kong. The unlisted exchangeable note carries a variable rate at 5% or 8% per annum subject to the terms of the note. As at 31 December 2019, the fair value of the instrument amounted to HK$60,201,000 (2018: nil), which was estimated by an independent valuer not connected to the Group.

(vii) On 24 December 2019, the Group entered into an agreement to sell a listed equity securities (included in the Group's listed equity securities portfolio) upon completion of all conditions set out in the agreement. The agreement is accounted for as a forward contract. The listed equity is subsequently settled in January 2020.

(viii) The debt investment with the principal amount of US$64,000,000 or equivalent to HK$498,422,000 with a fixed interest rate of 10% per annum payable on the corresponding date, was issued by an unlisted company in Hong Kong with the due date on 14 August 2019 and it has been fully settled. The investment is not held with a business model whose objective is achieved by collecting contractual cash flows or collecting contractual cash flows and selling of the investment. Accordingly, the investment was measured at FVTPL.

23. Finance Lease Receivables

	2019 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Current assets	552,020	463,767
Non-current assets	534,180	988,144
	1,086,200	1,451,911

	2019	
	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Finance lease receivables comprise:		
Within one year	796,452	726,628
In the second year	447,955	408,075
In the third year	284,381	273,446
In the fourth year	12,943	12,571
	1,541,731	1,420,720
Less: Unearned finance income	(121,011)	–
	1,420,720	1,420,720
Less: Allowance for impairment losses	(334,520)	(334,520)
Carrying amount	1,086,200	1,086,200

	2018	
	Minimum lease payments HK$'000	Present value of minimum lease payments HK$'000
Finance lease receivables comprise:		
Within one year	609,969	507,893
After one year but within two years	503,978	432,865
After two years but within five years	699,222	649,297
	1,813,169	1,590,055
Less: Unearned finance income	(223,114)	N/A
	1,590,055	1,590,055
Less: Allowance for impairment losses	(138,144)	(138,144)
Carrying amount	1,451,911	1,451,911

At 31 December 2019, finance lease receivable are all secured by the lease assets which are mainly machineries, motor vehicles and equipment.

Effective interest rate of the above finance leases is ranging from 5.92% to 10.23% per annum (2018: ranging from 5.92% to 10.23%).

At 31 December 2019, the gross carrying amount of the finance lease receivables which has been pledged as security for the borrowing, is RMB316,384,000 (equivalent to HK$353,194,000 (2018: RMB339,977,000 (equivalent to HK$388,013,000)).

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23. Finance Lease Receivables (continued)

Sharing of office premises

On 23 December 2019, the Group has entered into an agreement to share its office premises to Huarong International Financial Holdings Limited, a fellow subsidiary of the Company with consent from the lessor of the head leases, with rentals payable monthly. The lease term is for a period of three years, with unilateral rights by the Group or by the fellow subsidiary of the Company to terminate the agreement by giving the other party at least one month notice. The Group assessed and concluded at lease commencement date that the Group are reasonably certain not to exercise the termination options. The Group is not exposed to foreign currency risk as a result of the lease arrangement, as the lease is denominated in the respective functional currencies of group entities.

The agreement does not contain residual value guarantee. The directors of the Company consider the terms of the agreement transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the fellow subsidiary as the lessee, the contract is classified as a finance lease. During the year ended 31 December 2019, an amount of HK$80,632,000 was transferred from right-of-use assets to finance lease receivables and is included in finance lease receivables at the end of the reporting period.

24. Loan and Debt Instruments

	2019 HK$'000	2018 HK$'000
Loan receivables	812,789	1,285,585
Less: Provision for impairment losses	(352,249)	(17,361)
	460,540	1,268,224
Unlisted debt instruments	1,199,806	1,598,340
Less: Provision for impairment losses	(374,798)	(29,409)
	825,008	1,568,931
Total	1,285,548	2,837,155
Analysed for reporting purpose as:		
Current assets	1,285,548	1,568,867
Non-current assets	–	1,268,288
	1,285,548	2,837,155

At 31 December 2019, loan and debt instruments measured at amortised cost represent instruments with independent third parties which are secured and/or backed by guarantees and collaterals, with contractual maturity ranging from approximately five months to one year from the end of the reporting period (2018: three months to two years). The above loan and debt instruments bear fixed interest rates ranging from 7% to 13% per annum (2018: 7% to 15% per annum). At 31 December 2019, loan and debt instruments with carrying amount of approximately HK$1,254,219,000 (2018: HK$2,738,772,000) are secured by a land in the PRC, a land in the US, listed equity issued by companies listed in Hong Kong and unlisted equity interests and/or backed by guarantees from corporates or individuals. There were unsecured loan and debt instrument with carrying amount of approximately of HK$31,329,000 as at 31 December 2019 (2018: HK$98,383,000) guaranteed by independent third party.

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

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24. Loan and Debt Instruments (continued)

At 31 December 2019, the Group has concentration of credit risk as 92% (2018: 76%) of total loan and debt instruments was due from the Group's five largest borrowing customers.

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

Details of impairment assessment of loan and debt instruments are set out in Note 50(b).

25. Contract Assets

	31 December 2019 HK$'000	31 December 2018 HK$'000
Analysed for reporting purposes as:		
Unbilled revenue *(Note a)*	**–**	92,100
Retention receivables *(Note b)*	**–**	55,898
	–	147,998
Less: Provision for impairment losses	**–**	(17,074)
	–	130,924

As at 1 January 2018, the contract assets amounted to HK$61,931,000.

For the year ended 31 December 2019, the contract assets are derecognised upon the disposal of a subsidiary as detailed in note 42.

Notes:

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

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

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

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

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26. Trade And Other Receivables

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

	2019 HK$'000	2018 HK$'000
Trade receivables *(Note (i))*	50,501	95,211
Rental deposits	27,347	28,216
Prepayments and other receivables	34,611	184,578
	112,459	308,005
Less: Provision for impairment losses on trade and other receivables *(Note (ii))*	(47,469)	(740)
Trade and other receivables	64,990	307,265
Analysed for reporting purpose as:		
Current assets	43,490	279,909
Non-current assets *(Note (iii))*	21,500	27,356
	64,990	307,265

Notes:

(i) Trade receivables are normally due within 30 days (2018: within 30 days) from the date of billing. The following is an aged analysis of trade receivables before impairment, presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within 1 month	3,032	94,356
1 to 3 months	–	617
Over 3 months	47,469	238
	50,501	95,211

At 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount before impairment of HK$47,469,000 (2018: HK$855,000) which are past due as at the reporting date. Out of the past due balances, HK$47,469,000 (2018: HK$238,000) of trade receivable before impairment has been past due 90 days or more and has been fully impaired.

(ii) Details of impairment assessment of trade and other receivables are set out in Note 50(b).

(iii) All non-current portion represents rental deposits.

27. Deposits In Other Financial Institutions

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

28. Bank Balances And Cash

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 (2018: 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 for bank loans are deposited with creditworthy banks with no recent history of default.

Details of impairment assessment for bank balances and cash are set out in Note 50(b).

29. Trade And Other Payables

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

	2019 HK$'000	2018 HK$'000
Trade payables from foundation and substructure construction services *(Note (i))*	–	130,569
Deposit from finance lease customers *(Note (ii))*	21,776	37,381
Retention money payables	–	44,667
Other payables, accruals and others	35,324	154,502
	57,100	367,119
Analysed for reporting purposes as:		
Current liabilities	39,065	331,651
Non-current liabilities *(Note (ii))*	18,035	35,468
	57,100	367,119

Accrued lease liabilities and refundable deposits received were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 3.

Notes:

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

	2019 HK$'000	2018 HK$'000
Within 1 month	–	29,559
1 to 3 months	–	46,736
3 to 6 months	–	11,934
Over 6 months	–	42,340
	–	130,569

The average credit period granted to the Group is 0 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(ii) All non-current portion represents deposits from finance lease customers with lease terms expiring after one year (2018: expiring after one year).

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30. Obligations Under Finance Leases

	2018 HK$'000
Analysed for reporting purposes as:	
Current liabilities	3,782
Non-current liabilities	3,946
	7,728

As at 31 December 2018, the Group leased certain of its machineries and motor vehicles under finance leases. The average lease term was 3 years. Interest rates underlying obligations under finance leases were fixed at respective contract rates ranging from 2.60% to 4.80% per annum.

Upon initial adoption of HKFRS 16 on 1 January 2019, the Group reclassified the obligation under finance leases of HK$3,782,000 and HK$3,946,000 to lease liabilities as current and non-current liabilities respectively.

	Minimum lease payments 2018 HK$'000	2018 HK$'000
Analysed for reporting purposes as:		
Within one year	3,943	3,782
Within a period of more than one year but not more than two years	3,353	3,291
Within a period of more than two years but not more than five years	660	655
	7,956	7,728
Less: future finance charges	(228)	N/A
Present value of lease obligations	7,728	7,728
Less: Amounts due for settlement within twelve months (shown under current liabilities)		(3,782)
Amounts due for settlement after twelve months shown under non-current liabilities		3,946

All finance lease obligations were denominated in Hong Kong dollars.

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

At 31 December 2018, finance leases of approximately HK$2,681,000 were secured by the corporate guarantee provided by the Group.

31. Interest-Bearing Borrowings

	2019 HK$'000	2018 HK$'000
Bank loans	**786,486**	1,450,960
Other loans	**3,793,637**	5,554,875
	4,580,123	7,005,835
Secured	**191,264**	306,610
Unsecured	**4,388,859**	6,699,225
	4,580,123	7,005,835
The carrying amounts of the borrowings are repayable*:		
With on demand clause	**–**	845,494
Within one year	**676,218**	1,375,887
Within a period of more than one year but not exceeding two years	**922,430**	821,730
Within a period of more than two years but not exceeding five years	**2,143,165**	3,119,561
Within a period of more than five years	**838,310**	843,163
	4,580,123	7,005,835
Less: Amounts due within one year shown under current liabilities	**(676,218)**	(2,221,381)
Amounts due from settlement after 12 months and shown under non-current liabilities	**3,903,905**	4,784,454

* Other than those borrowings with on demand clause, the amounts due are based on scheduled repayment dates set out in the loan agreements.

The secured borrowings as at 31 December 2019 of RMB171,330,000 (equivalent to approximately HK$191,264,000) (2018: RMB268,051,000 (equivalent to HK$306,610,000)) are secured by finance lease receivables.

The Group has other loans from:

(a) its immediate holding company, Right Select International Limited ("Right Select") in the amount of USD375,032,000 (approximately HK$2,920,694,000) and HK$61,063,000 respectively (2018: its immediate holding company, Right select in the amount of USD487,120,000 (approximately HK$3,815,569,000) and HK$447,320,000);

(b) an ex-executive director of the Company, Mr. Kwan Wai Ming, amounting to nil (2018: HK$24,500,000);

(c) a director of a subsidiary of the Company disposed in 2019, Mr. Leung Kam Chuen, amounting to nil (2018: HK$29,500,000);

(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 nil (2018: HK$250,000,000); and

(e) fellow subsidiaries of the Company, in the amounts of HK$87,320,000, RMB576,133,000 (approximately HK$643,163,000) and USD10,452,000 (approximately HK$81,397,000) respectively (2018: in the amounts of HK$86,361,000, RMB720,000,000 (approximately HK$821,730,000) and USD10,200,000 (approximately HK$79,896,000)).

All of the above other loans are unsecured and are for the expansion of the Group's business purpose.

As at 31 December 2019, the Group's borrowings in the amounts of HK$4,063,305,000 (2018: HK$5,943,452,000) bear fixed interest rates ranging from 0.77% to 6.30% per annum (2018: 0.77% to 6.30% per annum), and amounts of HK$516,818,000 (2018: HK$1,062,383,000) bear floating interest rates ranging from 3.80% to 4.91% per annum (2018: 4.44% to 4.69%).

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32. Financial Assets Sold Under Repurchase Agreements

The following is an analysis of financial assets sold under repurchase agreements at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Analysed by collateral type:		
– Listed debt instruments	97,101	511,853

Sales and repurchase agreements are transactions in which the Group sells listed debt instruments and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are pre-determined and the Group is still exposed to substantially all the credit risks, market risks and rewards of those listed debt instruments.

At 31 December 2019, the Group entered into repurchase agreements with financial institutions to sell listed debt instruments recognised as financial assets at FVTPL with carrying amount of approximately HK$130,964,000 (2018: HK$654,279,000) (Note 22(iii)), which are subject to the simultaneous agreements to repurchase these investments at the agreed date and price. These listed debt instruments are not derecognised from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these listed debt instruments.

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

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

34. Lease Liabilities

	2019 HK$'000
Lease liabilities payable:	
Within one year	65,083
Within a period of more than one year but not more than two years	66,742
Within a period of more than two years but not more than five years	106,082
Within a period of more than five years	–
	237,907
Less: Amount due for settlement with 12 months shown under current liabilities	(65,083)
Amount due for settlement after 12 months shown under non-current liabilities	172,824

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB HK$'000
As at 31 December 2019	1,242

35. Contract Liability

	2019 HK$'000	2018 HK$'000
Advances from customer of construction contract, current	–	40,000

As at 1 January 2018, the Group had no contract liabilities.

Contract liability of the Group, which is expected to be settled within the Group's normal operating cycle, are classified as current.

When the Group receives upfront payment or cash advances before the construction activity commences, this will give rise to contract liability at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the cash advances.

36. Deferred Tax Liabilities

The followings are the major deferred tax (liabilities) assets recognised and movements thereof:

	Depreciation allowances in excess of the related depreciation HK$'000	Tax losses HK$'000	Fair value change of financial assets at FVTPL HK$'000	Total HK$'000
At 1 January 2018	(8,793)	3,805	(14,975)	(19,963)
Credited to profit or loss	–	3,466	6,765	10,231
At 31 December 2018	(8,793)	7,271	(8,210)	(9,732)
Credited to profit or loss	8,793	(7,271)	8,210	9,732
Derecognised upon disposal of a subsidiary	–	–	–	–
At 31 December 2019	–	–	–	–

At 31 December 2018, deferred tax asset of HK$7,271,000 in relation to unused tax losses of HK$44,067,000 has been recognised in the Group's consolidated statement of financial position. At 31 December 2019, no deferred tax asset has been recognised on the tax losses of HK$240,030,000 (2018: remaining tax losses of HK$103,721,000) due to the unpredictability of future profit streams.

At 31 December 2019, the Group had deductible temporary differences of approximately HK$771,611,000 (2018: HK$150,332,000) arising from impairment of loan and debt instruments and finance lease receivables and fair value change of financial assets at FVTPL, where no deferred tax assets had been recognised due to the unpredictability of future profits streams.

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For the year ended 31 December 2019

37. Share Capital

	Number of shares '000	Total value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January and 31 December 2018 and 2019	20,000,000	20,000
Issued and fully paid:		
At 1 January 2018 and 31 December 2018 and 2019	1,816,000	18,160

All shares issued rank pari passu in all respects with all shares then in issue.

38. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 70 of this report.

39. Perpetual Capital Instrument

Movement of the perpetual capital instrument is as follows:

	HK$'000
At 1 January 2018	1,266,333
Profit for the year attributable to holder of perpetual capital bond	63,243
At 31 December 2018	1,329,576
Profit for the year attributable to holder of perpetual capital bond	63,218
At 31 December 2019	**1,392,794**

On 27 December 2017, the Company issued perpetual capital bond with the face value of USD162,000,000 (equivalent to approximately HK$1,266,333,000) at distribution rate of 4.981% per annum to Blossom Direction Limited, the fellow subsidiary of the Company. The perpetual capital bond is classified as equity instrument. There is no maturity of the bond and the payments of distribution can be deferred indefinitely at the discretion of the Company. When the Company elects to distribute, the distribution to the holder of perpetual capital bond will be made at the distribution rate as set out in the subscription agreement.

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For the year ended 31 December 2019

40. Operating Leases

The Group as lessee

	2018 HK$'000
Minimum lease payments paid under operating leases during the year	87,149

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	89,414
In the second to fifth year inclusive	267,558
	356,972

Operating lease payments represent rentals payable by the Group for certain of its storage, office premises, staff quarters and car parking spaces. Leases are negotiated and rentals are fixed for an average term of one to three years.

The Group as lessor

The Group has entered into a share of office premises arrangement with a fellow subsidiary of the Company with a consent from the lessor of the head leases as detailed in note 23.

41. Commitments

	2019 **HK$'000**	2018 HK$'000
Capital commitments		
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**–**	10,818
Fund commitments		
Commitment in respect of capital contribution to the investment fund	**31,834**	117,487

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For the year ended 31 December 2019

42. Disposal of a Subsidiary/Business

As referred to in note 17, the disposal of the Disposal group was completed on 9 December 2019. The assets and liabilities of Auto Brave Limited at the date of disposal were as follows:

	2019 HK$'000
Analysis of assets and liabilities over which control was lost:	
NON-CURRENT ASSETS	
Plant and equipment	50,082
Right-of-use assets	11,895
Total non-current assets	61,977
CURRENT ASSETS	
Contract assets	106,252
Trade and other receivables	27,700
Amounts due from a fellow subsidiary	290,000
Tax recoverable	5,038
Bank balances and cash	14,802
Total current assets	443,792
CURRENT LIABILITIES	
Trade and other payables	194,548
Interest-bearing borrowings	290,000
Amounts due to related parties	817
Lease liabilities	7,162
Contract liability	5,000
Total current liabilities	497,527
NET CURRENT LIABILITIES	(53,735)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,242
NON-CURRENT LIABILITIES	
Lease liabilities	2,067
Total non-current liabilities	2,067
Net assets disposed of	6,175

	2019 HK$'000
Gain on disposal of a subsidiary:	
Consideration received and receivable	290,000
Net assets disposed of	(6,175)
Gain on disposal	283,825
Net cash outflow arising on disposal:	
Consideration	290,000
Offset of amount owned to the Disposal group by the Group	(290,000)
Bank balances and cash disposed of	(14,802)
	(14,802)

The impact of the Disposal group on the Group's results and cash flows in the current and prior periods is disclosed in note 17.

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43. Share-Based Payment Transactions

Pursuant to the written resolutions of the shareholders 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.

44. 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% (2018: 5%) of relevant payroll costs, capped at HK$1,500 (2018: 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 2019, 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$8,383,000 (2018: HK$7,007,000).

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45. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 31 December 2018 HK$'000	Adjustment upon application of HKFRS 16 HK$'000	At 1 January 2019 HK$'000 (Restated)	Financing cash flows HK$'000	Non-cash changes: Reclassification* HK$'000	Non-cash changes: Finance cost HK$'000	Non-cash changes: Waive of interest (Note 48 (b)) HK$'000	Non-cash changes: New leases entered into HK$'000 (Note 48(b)(iii))	Non-cash changes: Disposal of a subsidiary HK$'000 (Note 42)	Non-cash changes: Foreign exchange HK$'000	At 31 December 2019 HK$'000
Interest-bearing borrowings	7,005,835	–	7,005,835	(2,523,711)	146,267	263,738	–	–	(290,000)	(22,006)	4,580,123
Financial assets sold under repurchase agreements	511,853	–	511,853	(426,044)	–	11,465	–	–	–	(173)	97,101
Obligations under finance leases	7,728	(7,728)	–	–	–	–	–	–	–	–	–
Lease liabilities	–	316,334	316,334	(86,670)	–	12,944	–	4,559	(9,229)	(31)	237,907
Interest payables	4,173	–	4,173	–	(4,173)	–	–	–	–	–	–
Amount due to an intermediate holding company	19	–	19	(19)	–	–	–	–	–	–	–
Amount due to the immediate holding company	153,050	–	153,050	–	(112,076)	–	–	–	–	(287)	40,687
Amounts due to fellow subsidiaries	44,840	–	44,840	(1,167)	(30,018)	–	–	–	–	16	13,671
Amounts due to related parties	14,326	–	14,326	(1,755)	–	2,396	(14,150)	–	(817)	–	–
Total	7,741,824	308,606	8,050,430	(3,039,366)	–	290,543	(14,150)	4,559	(300,046)	(22,481)	4,969,489

	At 1 January 2018 HK$'000	Financing cash flows HK$'000	Non-cash changes: Finance costs HK$'000	Non-cash changes: New finance leases HK$'000	Non-cash changes: Foreign exchange HK$'000	At 31 December 2018 HK$'000
Interest-bearing borrowings	11,046,580	(4,023,385)	–	–	(17,360)	7,005,835
Financial assets sold under repurchase agreements	–	511,853	–	–	–	511,853
Obligations under finance leases	13,329	(8,575)	–	2,974	–	7,728
Interest payables	9,195	(415,022)	410,000	–	–	4,173
Amount due to an intermediate holding company	8,696	(8,677)	–	–	–	19
Amount due to the immediate holding company	–	153,050	–	–	–	153,050
Amounts due to fellow subsidiaries	9,085	35,755	–	–	–	44,840
Amounts due to related parties	12,202	2,124	–	–	–	14,326
Total	11,099,087	(3,752,877)	410,000	2,974	(17,360)	7,741,824

* Interest payables on interest-bearing borrowings previously classified in interest payables, amount due to the immediate holding company and amounts due to fellow subsidiaries, have been reclassified to interest-bearing borrowings for the year ended 31 December 2019. Reclassification has been made on the relevant opening balances for reconciliation purpose.

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46. Net Cash from Operating Activities

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) profit before income tax		
Continuing operations	**(1,209,853)**	78,735
Discontinued operation	**274,057**	(23,579)
	(935,796)	55,156
Adjustments for:		
Finance costs	**308,534**	410,000
Net recognition (reversal) of impairment losses	**938,968**	(42,044)
Impairment loss of plant and equipment	**26,872**	–
Depreciation of plant and equipment	**27,911**	34,571
Depreciation of right-of-use assets	**74,398**	–
Net gain on disposal of plant and equipment	**(5,355)**	(2,306)
Gain on disposal of the foundation and substructure construction operation	**(283,825)**	–
Gains on non-substantial modification of loan and debt instruments measured at amortised cost	**(5,832)**	–
Waive of interest by a related party	**(14,150)**	–
Bank interest income	**(7,540)**	(33,344)
Fair value change of financial investments and derivatives	**248,351**	172,158
Dividend income	**(56,297)**	(103,765)
Interest income from financial assets	**(402,936)**	(634,931)
Operating cash flows before movements in working capital	**(86,697)**	(144,505)
Decrease (increase) in trade and other receivables	**52,600**	(81,525)
Decrease in loan and debt instruments	**957,660**	1,750,950
Decrease in finance lease receivables	**268,474**	355,739
Net change in financial investments and derivatives	**862,360**	499,968
Decrease in deposits in other financial institutions	**49,792**	6,592
Decrease (increase) in contract assets	**23,096**	(56,705)
(Decrease) increase in trade and other payables	**(24,931)**	79,375
(Decrease) increase in contract liability	**(35,000)**	40,000
Decrease in deposit from finance lease customers	**(7,295)**	(28,074)
Cash generated from operations	**2,060,059**	2,421,815
Income taxes paid	**(10,171)**	(39,099)
Dividend received	**54,139**	75,289
Interest income received from financial assets	**267,798**	596,288
Bank interest income received	**7,611**	20,980
NET CASH FROM OPERATING ACTIVITIES	**2,379,436**	3,075,273

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47. Transfer of Financial Assets

	Carrying amount of transferred assets		Related liabilities *(Note)*	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at FVTPL				
– Listed debt instruments	**130,964**	654,279	**97,101**	511,853

Note: The related liabilities of those transferred listed debt instruments are financial assets sold under repurchase agreements disclosed in Note 32.

48. Related Party Transactions

Except as disclosed elsewhere in the consolidated financial statements, the Group has the following significant transactions and balances 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. Kwan	Ex-executive director of the Company (resigned from 17 September 2019)
Mr. Yu Meng	Executive director of the Company
Mr. Liu Xiguang	Executive director of the Company
Mr. Xu Xiaowu	Executive director of the Company (appointed on 8 July 2019)
Fortune Famous Engineering (Transportation) Company Limited ("Fortune Famous")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Hongkong Gold Gate Enterprise Limited ("HKGG")	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Group Team Limited	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
Acute Peak	50% and 50% owned by Mr. Leung and Mr. Kwan respectively
CHIH	Intermediate holding company
Right Select	Immediate holding company
華融晟遠(江西)企業管理有限公司 ("華融晟遠江西")	Fellow subsidiary
Blossom Direction Limited	Fellow subsidiary
Diamond Summit Global Limited ("Diamond Summit")	Fellow subsidiary
Jade Treasure Limited ("Jade Treasure")	Fellow subsidiary
Treasure Map Limited ("Treasure Map")	Fellow subsidiary
Ocean Summit Global Limited ("Ocean Summit")	Fellow subsidiary

The Group is indirectly controlled by China Huarong, which is indirectly controlled by the PRC government through the Ministry of Finance (the "MOF"). MOF is the major shareholder of China Huarong as at 31 December 2019. 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.

Notes to the Consolidated Financial Statements

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48. Related Party Transactions (continued)

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

	Notes	2019 HK$'000	2018 HK$'000
Management fee income received from:			
– Right Select	(i)	**2,800**	2,800
Other income – waive of accumulated interest	(ii)	**14,150**	–
Recharge of office rent, rates and management fee by:			
– Group Team Limited	(i)	**–**	(3,276)
Lease payments of motor vehicles made to:			
– Fortune Famous	(i)	**–**	(235)
– HKGG	(i)	**–**	(468)
Interest expense paid/payable to:			
– CHIH	(i)	**–**	(22,420)
– Right Select	(i)	**(125,667)**	(112,424)
– Acute Peak	(i)	**(863)**	(2,500)
– 華融晟遠（江西）	(i)	**(33,103)**	(40,444)
– Treasure Map	(i)	**(2,132)**	(756)
Interest expense on lease liabilities with:			
– Group Team Limited	(iii)	**(68)**	–
– Fortune Famous	(iii)	**(10)**	–
– HKGG	(iii)	**(18)**	–

Notes:

(i) The related party transactions in respect of (i) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(ii) On 5 May 2019, Acute Peak waived an accrued interest of HK$14,150,000 for the period from 13 April 2016 to 6 May 2019 arising from a borrowing of principal amount of HK$250 million. The Group recognised the waived amount as other income from discontinued operation for the year ended 31 December 2019.

(iii) During the year ended 31 December 2019, the Disposal group entered into several new lease agreements for the use of leased office and motor vehicles with the related parties for one year. The Group has recognised right-of-use assets and lease liabilities of HK$4,559,000 and HK$4,559,000 respectively during the reporting period. The relevant lease liabilities was derecognised upon disposal of the Disposal group. The interest represents the interest arising from the lease liabilities with these related parties.

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48. Related Party Transactions (continued)

(c) The information about amounts due from (to) of the following related parties are as follows:

	Note	Amounts due from related parties 2019 HK$'000	Amounts due from related parties 2018 HK$'000	Amounts due to related parties 2019 HK$'000	Amounts due to related parties 2018 HK$'000
Immediate holding company					
Right Select		–	–	40,687	153,050
An intermediate holding company					
CHIH		258	–	–	19
Fellow subsidiaries					
華融晟遠(江西)		–	94	–	29,218
Blossom Direction Limited		–	7	–	–
Diamond Summit		1,361	1,015	–	–
Jade Treasure		–	–	8,998	7,323
Best Fine International Limited		86	–	–	–
Brave Elite Ventures		62	–	–	–
Ocean Summit		–	1,692	–	–
Plenty Choice		–	–	4,673	7,499
Others		71	460	–	800
		1,580	3,268	13,671	44,840
Related parties					
Acute Peak		–	–	–	13,283
Fortune Famous		–	–	–	20
HKGG		–	–	–	39
Mr. Leung		–	–	–	511
Mr. Kwan		–	–	–	473
		–	–	–	14,326
		1,838	3,268	54,358	212,235

The amount due to the immediate holding company, amount due from (to) an intermediate holding company, amounts due from (to) fellow subsidiaries and amounts due to related parties are unsecured, interest-free and repayable on demand.

As at 31 December 2019, an amount of HK$80,632,000 due from a fellow subsidiary is included in finance lease receivables resulting from the sharing of office premises as disclosed in note 23.

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48. Related Party Transactions (continued)

(d) Compensation of key management personnel

The remunerations of the directors of the Company and other members of key management during the current year and prior year were as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	4,448	12,268
Post-employment benefits	599	739
	5,047	13,007

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

In addition to the amounts above, the Group also provides other non-monetary (such as accommodations) to key management personnel. During the year ended 31 December 2019, short term lease expenses in relation to these non-monetary benefits amounted to HK$1,201,000.

(e) As at 31 December 2018, Mr. Kwan and Mr. Leung has provided indemnification of HK$65,174,000 to the performance bonds as further detailed in Note 53.

49. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of lease liabilities, obligations under finance leases disclosed, interest-bearing borrowings, financial assets sold under repurchase agreements, amounts due to related parties, net of cash and cash equivalents and deposits in other financial institutions, and equity attributable to the owners of the Company, comprising issued share capital, reserves, perpetual capital instruments and retained earnings (accumulated losses).

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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50. Financial Instruments

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**2,725,034**	4,722,052
Financial assets at FVTOCI	**–**	650
Financial assets at amortised cost	**2,354,163**	3,929,867
Total	**5,079,197**	8,652,569
Financial liabilities		
Financial liabilities at FVTPL	**1,414**	417
At amortised cost	**4,786,447**	8,079,079
Total	**4,787,861**	8,079,496

(b) Financial risk management objectives and policies

The Group's major financial instruments comprise financial assets at FVTPL, financial assets at FVTOCI, financial liabilities at FVTPL, loan and debt instruments, deposits in other financial institutions, trade receivables, deposit and other receivables, trade and other payables, deposit from finance lease customers, amounts due from (to) fellow subsidiaries, amount due to the immediate holding company, amount due from (to) an intermediate holding company, amounts due to related parties, bank balances and cash, financial assets sold under repurchase agreement, lease liabilities, obligations under finance leases and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effect manner.

Currency risk

Foreign currency risk is the risk that the value of an asset and liability denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group's foreign currency risk primarily arises from sales and purchases of investments and provision of business consulting and financing services by operating entities in currencies other than the functional currency of the respective entities.

50. Financial Instruments (continued)

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

Currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Foreign currency	2019 HK$'000	2018 HK$'000
Financial assets at FVTPL – assets	USD	**1,877,056**	3,455,295
	RMB	**77,872**	215,448
Financial assets at FVTPL – liabilities	USD	**(1,414)**	(417)
Finance lease receivables	RMB	**1,005,568**	1,451,911
Rental deposits	RMB	**394**	1,139
Account receivables	RMB	**2,830**	18,402
	USD	**–**	20,378
Other receivables	RMB	**3,631**	695
Deposits in other financial institutions	RMB	**–**	55,452
	USD	**59,196**	16,736
Bank balances and cash	RMB	**234,595**	166,266
	USD	**264,665**	116,873
Loan and debt instruments	USD	**186,067**	344,175
	RMB	**460,541**	765,358
Other payables	RMB	**(9,699)**	(403)
Deposit from finance lease customers	RMB	**(21,776)**	(37,381)
Interest-bearing borrowings	USD	**(3,118,836)**	(4,522,098)
	RMB	**(834,501)**	(1,128,340)
Financial assets sold under repurchase agreements	USD	**(97,101)**	(165,669)
Lease liabilities	RMB	**(1,386)**	–

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50. Financial Instruments (continued)

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

Sensitivity analysis

The Group is mainly exposed to the USD and RMB. As the USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. At 31 December 2019, if RMB had strengthened/weakened by 5% (2018: 5%) against HK$ with all other variables held constant, loss after tax for those companies for the year would have been HK$38,329,000 decrease/increase (2018: HK$62,982,000 increase/decrease on profit after tax). In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate financial assets at FVTPL, fixed-rate finance lease receivables, fixed-rate loan and debt instruments, fixed-rate term deposits, fixed-rate obligations under finance leases, fixed-rate financial assets sold under repurchase agreements, fixed-rate interest-bearing borrowings and fixed-rate lease liabilities held by the Group. The Group is also exposed to cash flow interest rate risk in relation to variable-rate deposits in other financial institutions, variable-rate bank balances, variable pledge bank deposits and variable-rate interest-bearing borrowings.

The Group currently does not have an interest rate hedging policy. However, the management closely monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and London Inter-bank Offered Rate arising from the Group's variable interest rate instruments. At 31 December 2019, if the interest rate had been 50 basis points (2018: 50 basis points) higher/lower, the Group's loss after tax would increase/decrease by HK$2,158,000 (2018: profit after tax would decrease/increase by HK$4,435,000). Bank balances and deposits in other financial institutions are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and deposits in other financial institutions is insignificant.

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 (2018: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Other price risk

The Group is exposed to other price changes arising from certain financial investments.

At 31 December 2019, if the relevant stock price and quoted price had been 5% (2018: 5%) higher/lower with all other variables held constant, the Group's loss after tax would have been approximately decreased/increased by HK$48,820,000/HK$48,916,000 respectively (2018: increased/decreased by HK$11,413,000 on profit after tax).

50. Financial Instruments (continued)

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

Credit risk and impairment assessment

Apart from equity investments at FVTPL and FVTOCI the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group reviews the recoverable amount of receivables including the finance lease receivables, loan and debt instruments, contract assets, rental deposits, other receivables and amount due from fellow subsidiaries and an intermediate holding company at the end of each reporting period to ensure that adequate impairment provision for losses are made for expected credit losses.

In respect of loan and debt instruments and finance lease receivables, the Group assessed the credit quality and defined limits for each lessee and borrower before accepting any new finance lease and loan. In addition, the Group also monitored the repayment history of finance lease payments and loan and debt interest payment from each lessee and borrower with reference to the repayment schedule initially granted on the date of advances up to the reporting date to determine the recoverability of the finance lease receivables and loan and debt instruments. The directors of the Company assess the estimated credit loss of loan and debt instruments and finance lease receivables based on the credit risk of respective asset as disclosed in notes 4 and 5.

Bank balances and cash and deposits in other financial institutions are placed with various creditworthy banks. Accordingly, the directors of the Company consider the credit risk on liquid funds is limited because the Group mainly transacts with banks and financial institutions with high credit ratings assigned by international credit-ratings agencies.

The Group has performed credit screening procedure for any decision of investments in unlisted convertible bonds and listed debt instruments. The credit risk of the issuers of these instruments are monitored by the Group regularly.

At 31 December 2019, the Group has concentration of credit risk as 56% (2018: 34%) of total loan and debt instruments and finance lease receivables from the Group's five largest borrowing customers and has concentration of credit risk as 68% (2018: 66% of total deposits in other financial institutions and bank balances and cash from the Group's five largest financial institution).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Taking no account of collaterals or other credit enhancements, the carrying amount of loan and debt instruments and finance lease receivables best represents the maximum exposure to credit risk, which is as follows:

	2019 HK$'000	2018 HK$'000
Loan and debt instruments	**1,285,548**	2,837,155
Finance lease receivables	**1,086,200**	1,457,911

The Group holds collateral or other credit enhancements to mitigate credit risk associated with loan and debt instruments and finance lease receivables. The main types of collateral include lands, listed and unlisted equity, and leased assets such as machinery and equipment. Details are set out in Notes 23 and 24.

There was no change in the Group's collateral policy during the year.

The Group requests collateral and guarantees for loan and debt instruments and finance lease receivables. The most relevant indicator of their creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason the valuation of collateral held against such assets is not routinely updated.

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets at amortised cost/ other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts or have past-due amounts less than 30 days	12-month ECL
Watch list	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired
Substandard	There is evidence indicating the asset is credit-impaired, other than those rated as "doubtful" and "loss"	Lifetime ECL – credit-impaired
Doubtful	There is evidence indicating that the debtor is in significant financial difficulty and the Group has little realistic prospect of recovery	Lifetime ECL – credit-impaired
Loss	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Lifetime ECL – credit-impaired

The estimated loss rates for each class of financial assets at amortised cost and other items are estimated based on historical observed default rates over the expected life of the respective class of assets and are adjusted for forward-looking information that is available without undue cost or effort, include macroeconomic data such as gross domestic product growth in China and the United States. The identification of internal credit risk grading for individual financial assets at amortised cost and other items is regularly reviewed by management to ensure relevant information about specific assets is updated.

The Group's internal credit risk grading assessment for trade receivables and contract assets is disclosed in below Note (ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets at amortised cost, and other items including contract assets and finance lease receivables, which are subject to ECL assessment:

	External rating	Internal rating	12-month or lifetime ECL	Gross carrying amount 2019 HK$'000	2019 HK$'000	2018 HK$'000	2018 HK$'000
Financial assets at amortised cost							
Loan and debt instruments *(Note (iv))*	N/A	Low risk	12-month ECL	99,180		2,883,925	
		Watch list	Lifetime ECL (not credit- impaired)	415,257		–	
		Substandard	Lifetime ECL (credit impaired)	1,059,323		–	
		Doubtful	Lifetime ECL (credit-impaired)	438,835	2,012,595	–	2,883,925
Bank balances and cash *(Note (vi))*	Above baa3 (Moody's*)	Low risk	12-month ECL	927,246	927,246	738,995	738,995
Deposits in other financial Institutions *(Note (vi))*	Above baa3 (Moody's*)	Low risk	12-month ECL	89,957	89,957	139,749	139,749
Trade receivables	N/A	Note (ii)	Lifetime ECL (not credit-impaired)	3,032		95,211	
			Lifetime ECL (credit-impaired)	47,469	50,501	–	95,211
Other receivables *(Note (iii))*	N/A	Low risk	12-month ECL	19,195		79,328	
		Watch list	Lifetime ECL (not credit-impaired)	–		7,485	
		Substandard	Lifetime ECL (credit-impaired)	–	19,195	1,240	88,053
Amounts due from fellow subsidiaries	N/A	Low risk Note (i)	12-month ECL	1,580	1,580	3,268	3,268
Amounts due from an intermediate holding company	N/A	Low risk Note (i)	12-month ECL	258	258	–	–
Rental deposits	N/A	Low risk Note (i)	12-month ECL	27,347	27,347	28,216	28,216
Other items							
Finance lease receivables *(Note v)*	N/A	Low risk	12-month ECL	285,036		1,276,806	
		Watch list	Lifetime ECL (not credit-impaired)	47,807		161,540	
		Substandard	Lifetime ECL (credit-impaired)	581,472		88,643	
		Doubtful	Lifetime ECL (credit-impaired)	443,570		63,066	
		Loss	Lifetime ECL (credit-impaired)	62,835	1,420,720	–	1,590,055
Contract assets	N/A	Note (ii)	Lifetime ECL (not credit- impaired)	–		131,792	
			Credit-impaired	–		16,206	147,998

* Moody's credit rating is used.

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Notes:

(i) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due HK$'000	Not past due/ No fixed repayment terms HK$'000	Total HK$'000
2019			
Amounts due from fellow subsidiaries	**–**	**1,580**	**1,580**
Amounts due from an intermediate holding company	**–**	**258**	**258**
Rental deposits	**–**	**27,347**	**27,347**
2018			
Amounts due from fellow subsidiaries	–	3,268	3,268
Rental deposits	–	28,216	28,216

(ii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

As part of the Group's credit risk management, the Group individually assesses the impairment for its customers mainly in relation to its financing services operation (2018: financing services and construction operations). Credit-impaired debtors in aggregate gross carrying amounted to HK$47,469,000 (2018: HK$16,206,000) as at 31 December 2019.

At 31 December 2019, the Group provided nil (2018: HK$17,074,000) impairment allowance for contract assets as all contract assets were derecognised upon disposal of a subsidiary. Impairment allowance of HK$47,469,000 (2018: nil) on trade receivables was made on credit-impaired trade receivables for the year ended 31 December 2019.

The following table shows the movement in lifetime ECL that has been recognised for contract assets.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2019	**2,444**	**14,630**	**17,074**
Changes due to contract assets recognised as at 1 January 2019:			
– Transfer to trade receivables	**–**	**(2,487)**	**(2,487)**
– Impairment losses reversed	**(2,361)**	**–**	**(2,361)**
– Impairment losses recognised	**2,361**	**1,576**	**3,937**
Disposal of a subsidiary	**(2,444)**	**(13,719)**	**(16,163)**
At 31 December 2019	**–**	**–**	**–**
At 1 January 2018	14,362	15,000	29,362
Changes due to contract assets recognised as at 1 January 2018:			
– Transfer to credit-impaired	(5,268)	5,268	–
– Impairment losses reversed *(Note 1)*	(6,887)	(9,771)	(16,658)
– Impairment losses recognised	237	4,133	4,370
At 31 December 2018	2,444	14,630	17,074

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For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

(ii) (continued)

Notes:

(1) During the year 2018, the reversal of impairment losses was mainly due to settlement in retention receivables with gross carrying amount of HK$16,118,000 and HK$16,644,000 respectively, for amounts categorised under lifetime ECL (not credit-impaired) and lifetime ECL (credit-impaired) for ECL measurement.

(2) The impact of loss allowance on new contract assets originated during the year ended 31 December 2018 and 2019 was immaterial.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2019*	–	–	–
Transfer from contract assets	–	2,487	2,487
New trade receivable recognised *(Note)*	4	47,469	47,473
Disposal of a subsidiary	(4)	(2,487)	(2,491)
At 31 December 2019	–	47,469	47,469

* The impact of loss allowance for the year ended 31 December 2018 was immaterial.

Note:

One customer has encountered significant financial difficulty with amount categorised under lifetime ECL (credit-impaired). An impairment loss of HK$47,469,000 (2018: nil) has been recognised on the gross carrying amount of HK$47,469,000 (2018: nil) during the year.

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

(iii) The following table shows the reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL HK$'000	Lifetime ECL (not credit-impaired HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2019	**–**	**291**	**449**	**740**
Changes due to financial instruments recognised as at 1 January 2019:				
– Impairment losses reversed	**–**	**(224)**	**(216)**	**(440)**
– Impairment losses recognised	**153**	**608**	**–**	**761**
Disposal of a subsidiary	**(153)**	**(675)**	**(233)**	**(1,061)**
At 31 December 2019	**–**	**–**	**–**	**–**
At 1 January 2018	–	246	–	246
Changes due to financial instruments recognised as at 1 January 2018:				
– Transfer to credit-impaired	–	(240)	240	–
– Impairment losses recognised	–	285	209	494
At 31 December 2018	–	291	449	740

(iv) The following table shows the reconciliation of loss allowances that has been recognised for loan and debt instruments.

	12-month ECL HK$'000	Lifetime ECL (not credit-impaired HK$'000	Lifetime ECL (credit-impaired) HK$'000 *Note (5)*	Total HK$'000
At 1 January 2019	**46,770**	**–**	**–**	**46,770**
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired *(Note (1))*	**(22,697)**	**–**	**22,697**	**–**
– Transfer to lifetime ECL *(Note (1))*	**(10,237)**	**10,237**	**–**	**–**
– Impairment losses reversed *(Note (2))*	**(13,836)**	**(3,911)**	**–**	**(17,747)**
– Impairment loss recognised *(Note (3))*	**–**	**–**	**703,881**	**703,881**
New financial assets originated:				
– Impairment losses recognised *(Note (4))*	**498**	**–**	**–**	**498**
Foreign exchange adjustments	**–**	**–**	**(6,355)**	**(6,355)**
At 31 December 2019	**498**	**6,326**	**720,223**	**727,047**
At 1 January 2018	86,888	–	34,115	121,003
Changes due to financial instruments recognised as at 1 January 2018:				
– Impairment losses reversed *(Note (2))*	(39,770)	–	(34,042)	(73,812)
New financial assets originated:				
– Impairment loss recognised *(Note (4))*	275	–	–	275
Foreign exchange adjustments	(623)	–	(73)	(696)
At 31 December 2018	46,770	–	–	46,770

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

(iv) (continued)

Notes:

(1) Loan and debt instruments with a gross carrying amount of HK$415,257,000 (2018: nil) was transferred from 12-month ECL to lifetime ECL (not credit-impaired) due to significant increase in credit risk during the year. Loan and debt instruments with a gross carrying amount of HK$1,498,158,000 (2018: nil) was transferred from 12-month ECL to lifetime ECL (credit-impaired) due to financial difficulties of debtors during the year.

(2) Included in the reversal of impairment losses for amounts categorised under 12-month ECL, amount of HK$13,836,000 (2018: HK$14,387,000) was due to settlement in loan and debt instruments with gross carrying amount of HK$952,194,000 (2018: HK$1,581,760,000). For the year ended 31 December 2018, the remaining reversal of impairment losses for amounts categorised under 12-month ECL of HK$25,383,000 with gross carrying amount of HK$2,883,925,000 was mainly due to the decrease in credit risk associated with the forthcoming maturity and the improvement of counterparties' internal credit risk assessment. For the year ended 31 December 2018, the reversal of impairment losses for amounts categorised under lifetime ECL (credit-impaired) of HK$34,042,000 was due to settlement in loan and debt instruments with gross carrying amount of HK$239,260,000.

(3) Several borrowers (2018: nil) have encountered significantly increased financial difficulty with amount categorised under lifetime ECL (credit-impaired). An additional impairment loss of HK$703,881,000 (2018: nil) with a gross carrying amount of HK$1,498,158,000 (2018: nil) has been recognised during the year.

(4) The impairment losses recognised was due to new loan and debt instruments originated with gross carrying amount of HK$99,180,000 (2018: HK$105,091,000) during the year.

(5) At 31 December 2019, the gross carrying amount and net carrying amount of credit-impaired loan and debt instruments was HK$1,498,158,000 (2018: nil) and HK$777,935,000 (2018: nil) respectively, and such loan and debt instruments are secured by a land in the PRC, a land in the United States, and unlisted equity interests and/or backed by guarantees from corporates or individuals. In determining the allowance for credit-impaired loan and debt instruments, the management of the Group takes into account the fair value of collateral, the executable settlement plan and restructuring arrangements. The directors of the Company consider that the recoverability of the credit-impaired loan and debt instruments is highly reliant on the realisation of the collaterals held.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

(v) The following table shows the reconciliation of loss allowances that has been recognised for finance lease receivables.

	12-month ECL HK$'000	Lifetime ECL (not credit-impaired HK$'000	Lifetime ECL (credit-impaired) HK$'000 *Note (4)*	Total HK$'000
At 1 January 2019	**49,865**	**10,550**	**77,729**	**138,144**
Changes due to finance lease receivables recognised as at 1 January 2019:				
– Transfer to credit-impaired *(Note (1))*	**(30,662)**	**(5,113)**	**35,775**	**–**
– Transfer to lifetime ECL *(Note (1))*	**(2,093)**	**2,093**	**–**	**–**
– Impairment losses reversed *(Note (2))*	**(13,376)**	**(5,710)**	**–**	**(19,086)**
– Impairment losses recognised *(Note (3))*	**–**	**–**	**222,052**	**222,052**
Foreign exchange adjustments	**(111)**	**(43)**	**(6,436)**	**(6,590)**
At 31 December 2019	**3,623**	**1,777**	**329,120**	**334,520**
At 1 January 2018	70,662	–	30,300	100,962
Changes due to finance lease receivables recognised as at 1 January 2018:				
– Transfer to lifetime ECL	(4,398)	4,398	–	–
– Impairment losses reversed	(18,038)	(632)	(4,151)	(22,821)
– Impairment losses recognized *(Note 3)*	2,309	829	54,680	57,818
New finance lease receivables originated:				
– Impairment losses recognised	8,290	–	–	8,290
– Transfer to lifetime ECL	(6,468)	6,468	–	–
Foreign exchange adjustments	(2,492)	(513)	(3,100)	(6,105)
At 31 December 2018	49,865	10,550	77,729	138,144

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Credit risk and impairment assessment (continued)

Notes: (continued)

(v) (continued)

Notes:

(1) Finance lease receivables with a gross carrying amount of HK$47,807,000 (2018: HK$76,487,000) was transferred from 12-month ECL to lifetime ECL (not credit-impaired) due to significant increase in credit risk during the year. Finance lease receivables with a gross carrying amount of HK$811,100,000 (2018: nil) was transferred from 12-month ECL to lifetime ECL (credit-impaired) due to financial difficulties of debtors during the year. Finance lease receivables with a gross carrying amount of HK$67,683,000 (2018: nil) was transferred from lifetime ECL (not credit-impaired) to lifetime ECL (credit-impaired) during the year.

(2) Included in the reversal of impairment losses for amounts categorised under 12-month ECL, amount of HK$9,223,000 (2018: HK$17,008,000) was due to settlement in finance lease receivables with gross carrying amount of HK$187,117,000 (2018: HK$392,078,000).

The reversal of impairment losses for amounts categorised under lifetime ECL (not credit-impaired) of HK$5,437,000 (2018: nil) was due to settlement in finance lease receivables with gross carrying amount of HK$91,747,000 (2018: nil).

The remaining reversal of impairment losses was due to the remeasurement for the year ended 31 December 2019.

(3) Several lessees have encountered significantly increased financial difficulty with amounts categorised under lifetime ECL (credit-impaired) and an impairment loss of HK$222,052,000 (2018: HK$54,680,000) with a gross carrying amount of HK$1,087,877,000 (2018: HK$151,709,000) has been recognised.

(4) At 31 December 2019, the gross carrying amount and net carrying amount of credit-impaired finance lease receivables was HK$1,087,877,000 (2018: HK$151,709,000) and HK$758,757,000 (2018: HK$73,980,000) respectively, and such finance lease receivables are secured by leased assets. In determining the allowances for credit-impaired finance lease receivables, the management of the Group takes into account the fair value of collateral, the executable settlement plan and restructuring arrangements. The directors of the Company consider that the recoverability of the credit-impaired finance lease receivables is highly reliant on the realisation of collaterals held.

(vi) The Group considers impact of impairment loss under ECL model for bank balances and cash and deposits in other financial institutions is immaterial due to it mainly transacting with banks and financial institutions with high credit rating.

50. Financial Instruments (continued)

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings financial assets sold under repurchase agreements and interest-bearing borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The liquidity analysis for the Group's derivative financial instrument, that are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

		Contractual undiscounted cash flow					
	Weighted average interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	5 years or above HK$'000	Total contractual undiscounted cashflow HK$'000	Carrying amount HK$'000
Non-derivatives financial liabilities							
At 31 December 2019							
Trade and other payables	–	33,089	–	–	–	33,089	33,089
Deposit from finance lease customers	–	3,991	5,498	15,500	–	24,989	21,776
Amounts due to fellow subsidiaries	–	13,671	–	–	–	13,671	13,671
Amount due to the immediate holding company	–	40,687	–	–	–	40,687	40,687
Financial assets sold under repurchase agreements	3.05	97,521	–	–	–	97,521	97,101
Interest-bearing borrowings	4.12	839,625	1,061,772	2,373,456	907,567	5,182,420	4,580,123
Lease liabilities	4.63	74,733	73,334	110,002	–	258,069	237,907
		1,103,317	1,140,604	2,498,958	907,567	5,650,446	5,024,354
Foreign exchange forward contracts	–	1,414	–	–	–	1,414	1,414

Notes to the Consolidated Financial Statements

50. Financial Instruments (continued)

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

Liquidity risk (continued)

		Contractual undiscounted cash flow					
	Weighted average interest rate %	Within 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	5 years or above HK$'000	Total contractual undiscounted cashflow HK$'000	Carrying amount HK$'000
Non-derivatives financial liabilities							
At 31 December 2018							
Trade and other payables	–	311,775	–	–	–	311,775	311,775
Deposits from finance lease customers	–	1,913	–	35,468	–	37,381	37,381
Obligations under finance leases	3.43	3,943	3,353	660	–	7,956	7,728
Amounts due to fellow subsidiaries	–	44,840	–	–	–	44,840	44,840
Amount due to an intermediate holding company	–	19	–	–	–	19	19
Amount due to the immediate holding company	–	153,050	–	–	–	153,050	153,050
Amounts due to related parties	–	14,326	–	–	–	14,326	14,326
Financial assets sold under repurchase agreements	3.44	513,242	–	–	–	513,242	511,853
Interest-bearing borrowings	3.85	2,480,876	1,020,808	3,445,094	961,940	7,908,718	7,005,835
		3,523,984	1,024,161	3,481,222	961,940	8,991,307	8,086,807
Foreign exchange forward contracts		417	–	–	–	417	417

Interest-bearing borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. At 31 December 2018, the aggregate undiscounted principal amounts of these interest-bearing borrowings amounted to HK$845,494,000. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks/lender will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such interest-bearing borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Total undiscounted cash outflows HK$'000	Carrying amount HK$'000
Maturity Analysis – Interest-bearing borrowings with a repayment on demand clause based on scheduled repayments:		
At 31 December 2018	857,690	845,494

50. 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 2019:

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets				
Financial assets at FVTPL	**122,190**	**1,189,995**	**1,412,849**	**2,725,034**
Financial liabilities				
Financial liabilities at FVTPL	**–**	**1,414**	**–**	**1,414**

Fair value hierarchy as at 31 December 2018:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets				
Financial assets at FVTPL	273,376	2,386,417	2,062,259	4,722,052
Financial assets at FVTOCI	–	–	650	650
Total	273,376	2,386,417	2,062,909	4,722,702
Financial liabilities				
Financial liability at FVTPL	–	417	–	417

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'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 unobservable inputs
Financial assets						
1) Financial investments classified as financial assets at FVTPL	Listed equity securities: 122,190	Listed equity securities: 273,376	Level 1	Note (i)	N/A	N/A
2) Financial investments classified as financial assets at FVTPL	Unlisted equity forward contracts: 26,110	Unlisted equity forward contracts: nil	Level 2	Note (x)	N/A	N/A
3) Financial investments classified as financial assets at FVTPL	Listed debt instruments: 1,053,032	Listed debt instruments: 1,662,879	Level 2	Note (vii)	N/A	N/A
4) Financial investments classified as financial assets at FVTPL	Unlisted put options: 51,435	Unlisted put options: 141,787	Level 3	Note (v)	Volatility: 45.40% (31 December 2018: Volatility: Ranging from 35.95% to 73.06%)	5% increase/decrease in volatility: HK$671,000/ HK$(650,000) (31 December 2018: 5% increase/decrease in volatility: HK$722,000/ HK$(707,000))
5) Financial investments classified as financial assets at FVTPL	Unlisted warrant: nil	Unlisted warrant: 713	Level 3	Note (v)	N/A (31 December 2018: Volatility: 45.26%)	N/A (31 December 2018: 5% increase/decrease in volatility: HK$87,000/ HK$(84,000))
6) Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: 38,939	Unlisted foreign exchange forward contracts: 29,445	Level 2	Note (vii)	N/A	N/A

50. 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 2019 HK$'000	Fair value as at 31 December 2018 HK$'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 unobservable inputs
7)	Financial investments classified as financial assets at FVTPL	Unlisted foreign exchange option contract: 977	Unlisted foreign exchange option contract: nil	Level 2	Note (vii)	N/A	N/A
8)	Financial investments classified as financial assets at FVTPL	Unlisted bonds, convertible bonds and exchangeable note: 570,371	Unlisted convertible bonds: 589,040	Level 3	Notes (iii), (v) and (ix)	Volatility: 43.61% (31 December 2018: Volatility: 73.14%)	5% increase/decrease in volatility: HK$67,000/HK$(31,000) (31 December 2018: 5% increase/decrease in volatility: HK$2,384,000/ HK$(2,340,000))
						Discount rate: Ranging from 8.97% to 34.18% (31 December 2018: Discount rate: Ranging from 9.50% to 18.74%)	5% increase/decrease in discount rate: HK$(2,130,000)/HK$2,164,000 (31 December 2018: 5% increase/decrease in discount rate: HK$(2,550,000)/ HK$2,586,000)
						Net asset value	5% increase/decrease in net asset value: HK$20,456,000/ HK$(20,456,000) (31 December 2018:N/A)
9)	Financial investments classified as financial assets at FVTPL	Unlisted asset management plan: nil	Unlisted asset management plan: 61,816	Level 2	Note (ii)	N/A	N/A
10)	Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 70,937	Unlisted fund investments: 598,037	Level 2	Note (ii)	N/A	N/A

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. 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 2019 HK$'000	Fair value as at 31 December 2018 HK$'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 unobservable inputs
11) Financial investments classified as financial assets at FVTPL	Unlisted fund investments: 791,043	Unlisted fund investments: 1,330,719	Level 3	Notes (iv) and (viii)	Net asset value and adjustment to the credit risk of the counterparty	5% increase/decrease in net asset value: HK$39,552,000/ HK$(39,552,000) (31 December 2018: 5% increase/decrease in net asset value: HK$66,536,000/ HK$(66,536,000))
12) Financial investments classified as financial assets at FVTPL	Unlisted equity securities: nil	Unlisted equity securities: 34,240	Level 2	Note (vi)	N/A	N/A
13) Financial investments classified as financial asset at FVTOCI	Unlisted equity security: nil	Unlisted equity security: 650	Level 3	Note (iv)	Net asset value	5% increase/decrease in net asset value:N/A (31 December 2018: 5% increase/decrease in net asset value: HK$32,500/HK$(32,500))
Financial liabilities						
14) Financial liabilities classified as financial assets at FVTPL	Unlisted foreign exchange forward contracts: nil	Unlisted foreign exchange forward contracts: (417)	Level 2	Note (vii)	N/A	N/A
15) Financial liabilities classified as financial assets at FVTPL	Unlisted foreign exchange swap contracts: (1,414)	Unlisted foreign exchange swap contracts: nil	Level 2	Note (vii)	N/A	N/A

50. Financial Instruments (continued)

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The valuation techniques and outputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Notes:

(i) Quoted bid price in an active market.

(ii) Net asset value of the funds calculated based on the quoted price of underlying investments.

(iii) Discounted cash flow with future cash flows that are estimated based on the host contractual terms discounted at a rate that reflects the credit risk of the counterparty.

(iv) The fair value was determined with reference to the net asset value of the unlisted equity, asset management plan and partnership investments which are the deemed resale price of the investments provided by the external counter-parties. The directors have determined that the reported net asset values represent fair value of these investments.

(v) The fair value was determined based on option pricing model with exercise price of the options, current share price of the underlying assets of the options, expected volatility, time to maturity, risk free rate, dividend yield and discount rate.

(vi) The fair value was determined with reference to the recent transaction price of the investment.

(vii) The fair value was determined with reference to the quoted price provided by brokers/financial institutions based on discounted cash flow model by applying observable inputs including interest rates, forward exchange rate and etc.

(viii) The fair value was determined based on the net asset value of the underlying investment portfolio after taking into account the credit risk of the counterparty providing the put right.

(ix) The fair value was determined with reference to the fair value of the collaterals based on market approach with net asset value of the unlisted equity, market multiples of the comparable companies, and a discount reflecting the lack of marketability as key parameters.

(x) The fair value is based on the contractual selling price entered on 24 December 2019 with an independent third party and the closing price of the listed equity securities at the end of the year.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. Financial Instruments (continued)

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

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

The reconciliation of the Group's Level 3 fair value measurement of financial assets at FVTOCI and financial assets at FVTPL are as follows:

	2019 HK$'000	2018 HK$'000
Financial asset at FVTOCI		
At the beginning of the year	650	–
Transfer in (Note (i))	–	650
Disposals during the year	(650)	–
At the end of the year	–	650

	2019 HK$'000	2018 HK$'000
Financial assets at FVTPL		
At the beginning of the year	2,062,259	2,464,910
Transfer in *(Note (ii))*	91,303	(506,735)
Transfer out *(Note (iii))*	(74,413)	–
Purchases during the year	146,179	278,686
Disposals during the year	(587,572)	(154,578)
Net fair value loss recognised in profit or loss *(Note (iv))*	(222,087)	(28,506)
Exchange difference	(2,820)	8,482
At the end of the year	1,412,849	2,062,259

Notes:

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the year.

(i) The financial asset at FVTOCI was transferred from level 2 into level 3 as there is no recent transaction price during the year.

(ii) The financial assets at FVTPL was transferred from level 2 into level 3 during the period due to the lack of recent transaction price and quoted price of the financial assets.

(iii) The financial assets at FVTPL was transferred from level 3 into level 2 due to the change of underlying investment to investment with quoted price.

(iv) The total gains or losses for the year included an unrealised loss of HK$179,062,000 relating to level 3 financial assets that are measured at fair value as at 31 December 2019 (2018: a loss of HK$28,506,000). Such fair value gains or losses are included in "Net losses on fair value changes of financial investments and derivatives".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

		2019 HK$'000	2018 HK$'000
Non-current assets			
Plant and equipment		**32,552**	26,578
Right-of-use assets		**130,312**	–
Finance lease receivables		**54,910**	–
Amounts due from subsidiaries		**1,183,251**	2,913,659
Investments in subsidiaries		**–**	110,337
Rental deposits		**21,500**	26,953
Total non-current assets		**1,422,525**	3,077,527
Current assets			
Other receivables		**35,778**	166,632
Financial investments		**817,228**	1,311,629
Finance lease receivables		**25,722**	–
Amounts due from fellow subsidiaries		**1,580**	3,189
Amount due from an immediate holding company		**258**	–
Amounts due from subsidiaries		**2,620,676**	3,696,957
Amounts due from related parties		**–**	79
Tax recoverable		**2,725**	–
Bank balances and cash		**628,389**	503,292
Total current assets		**4,132,356**	5,681,778
Current liabilities			
Other payables		**22,118**	233,134
Amount due to an intermediate holding company		**–**	19
Amount due to the immediate holding company		**40,687**	124,695
Interest-bearing borrowings		**595,222**	1,652,237
Financial assets sold under repurchase agreements		**97,101**	–
Amounts due to subsidiaries		**204,765**	317,104
Amounts due to fellow subsidiaries		**13,671**	14,822
Lease liabilities		**63,697**	–
Derivative financial liabilities		**1**	–
Total current liabilities		**1,037,262**	2,342,011
Net current assets		**3,095,094**	3,339,767
Total assets less current liabilities		**4,517,619**	6,417,294
Non-current liabilities			
Interest-bearing borrowings		**3,150,474**	4,429,145
Lease liabilities		**172,824**	–
Deferred tax liabilities		**–**	185
Total non-current liabilities		**3,323,298**	4,429,330
Net assets		**1,194,321**	1,987,964
Capital and reserves			
Share capital		**18,160**	18,160
Perpetual capital instruments	*(a)*	**1,392,794**	1,329,576
Reserves	*(a)*	**(216,633)**	640,228
Total equity		**1,194,321**	1,987,964

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Notes:

(a) Movements in reserves

	Share premium HK$'000	Capital reserve HK$'000	Retained earnings (accumulated losses) HK$'000	Perpetual capital instruments HK$'000	Total HK$'000
At 1 January 2018	558,060	7,164	123,989	1,266,333	1,955,546
Profit (loss) and total comprehensive income (expense) for the year	–	–	(48,985)	63,243	14,258
At 31 December 2018	558,060	7,164	75,004	1,329,576	1,969,804
Adjustments arising from initial application of HKFRS 16	–	–	(3,045)	–	(3,045)
At 1 January 2019	558,060	7,164	71,959	1,329,576	1,966,759
Profit (loss) and total comprehensive income (expense) for the year	–	–	(853,816)	63,218	(790,598)
At 31 December 2019	**558,060**	**7,164**	**(781,857)**	**1,392,794**	**1,176,161**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

52. Particulars of Principal Subsidiaries of the Company

Details of the Company's subsidiaries as at 31 December 2019 and 31 December 2018 are as follow:

Name of subsidiaries	Place of incorporation/ operation	Particular of issued capital/ registered capital	Percentage of equity interest attributable to the Company				Principal activities
			Directly		Indirectly		
			2019	2018	**2019**	2018	
Able River Limited	BVI	Ordinary share of USD1	**–**	–	**100%**	100%	Investment holding
Ace Ornate Limited	BVI	Ordinary share of USD1	**–**	–	**–**	100%	Investment holding
Advance Eagle Ventures Limited	BVI	Ordinary share of USD1	**–**	–	**100%**	100%	Investment holding
Ample Key Investments Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Atlantic Star Global Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Auto Brave Limited (Disposed on 9 December 2019)	BVI	Ordinary Share of USD1	**–**	100%	**–**	–	Investment holding
Big Thrive Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Bloom Right Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Cheery Plus Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Chun Sing Engineering Company Limited (Disposed on 9 December 2019)	Hong Kong	Ordinary Share of HK$10,000	**–**	–	**–**	100%	Construction and engineering
Chun Sing Machinery Company Limited (Disposed on 9 December 2019)	Hong Kong	Ordinary Share of HK$60,000	**–**	–	**–**	100%	Machinery leasing
City Savvy Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Clever Robust Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Coastal Star Investments Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Coastal Treasure Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Securities trading and investment
Coleman Global Investments Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Dazzling Elite Limited	BVI	Ordinary Share of USD1	**–**	–	**100%**	100%	Investment holding
Ideal Trader Limited (Dissolved in 2019)	BVI	Ordinary Share of USD1	**–**	–	**–**	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

Name of subsidiaries	Place of incorporation/ operation	Particular of issued capital/ registered capital	Percentage of equity interest attributable to the Company Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Jade Coronet Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Star Ace Holdings Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Star Lavish Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Sveta Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Unique Rosy Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Wealth Channel Global Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Winter Motion Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
Wise United Holdings Limited	BVI	Ordinary Share of USD1	–	–	100%	100%	Investment holding
華融晟遠(北京)投資有限公司#	PRC	Registered Capital of RMB201,849,000	100%	100%	–	–	Financial service and investment
中聚(深圳)融資租賃有限公司#	PRC	Registered Capital of USD30,000,000	–	–	100%	100%	Investment holding and financial leasing
新余華融晟遠投資有限公司^ (Dissolved in 2019)	PRC	Registered Capital of RMB5,000,000	–	–	–	100%	Financial advisory service and investment

Notes:

\# registered as wholly-foreign owned enterprises under the PRC law

^ registered as a limited liability company under the PRC law

The table above lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affect the results for the reporting period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at the end of the reporting period or at any time during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

53. Performance Bonds

At 31 December 2018, the Group issued performance bonds of amount HK$65,174,000 in respect of foundation and substructure construction services contracts. Indemnity provided by related parties in relation to the performance bond are disclosed in Note 48 respectively. There were no such performance bonds as at 31 December 2019 after the disposal of a subsidiary engaging in the construction business.

54. Subsequent Events

(a) Impact of COVID-19

Since early January 2020, COVID-19 has spread globally, causing disruption to businesses and economic activities and shock to financial markets. This may result in negative impact in the fair value of the financial assets and impairment losses of loans and debt instruments and finance lease receivables to customers of the Group up to the date of issuance of the financial statements. The degree of the impact depends on the duration of the pandemic, the implementation of preventive measures and fiscal easing policies posted by the impacted countries and regions. As the situation is rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. Such impact is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial information for the year ended 31 December 2019. The Group and the management will continue to monitor the situation closely and actively respond to the impacts on the Group's financial position and operating results.

(b) Executed a supplemental deed of a bond

On 27 March 2020, an issuer of a bond held by the Group executed a supplemental deed dated 27 March 2020 to amend certain terms and conditions of the bond, including extension of the maturity date of the bond from 30 August 2020 to 30 August 2021; amendment of the provisions in relation to the interest payment dates; and amendment of the provisions in relation to the mandatory obligation of the issuer to redeem the bond. For details, please refer to the announcements of the Company dated 27 March 2020. The carrying amount of the bond as at 31 December 2019 is HK$154 million.

Financial Summary

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

	1 January 2019 to 31 December 2019 HK$'000	1 January 2018 to 31 December 2018 HK$'000	1 January 2017 to 31 December 2017 HK$'000	1 April 2016 to 31 December 2016 HK$'000 *(Note)*	For the year ended 31 March 2016 HK$'000	For the year ended 31 March 2015 HK$'000
Consolidated results						
Revenue	**511,190***	1,496,102	909,683	649,921	791,664	808,083
(Loss)/profit for the year/period	**(926,982)**	72,493	269,596	155,817	45,536	65,771
Total comprehensive (expense) income for the year/period attributable to the owners of the Company	**(993,623)**	(15,084)	302,599	152,520	43,536	65,771

	As at 31 December 2019 HK$'000	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000	As at 31 December 2016 HK$'000	As at 31 March 2016 HK$'000	As at 31 March 2015 HK$'000
Consolidated assets and liabilities						
Total assets	**6,350,194**	10,418,236	13,906,988	3,605,842	464,893	368,924
Total liabilities	**(5,067,823)**	(8,202,457)	(11,544,016)	(3,043,802)	(238,769)	(186,336)
Net assets	**1,282,371**	2,215,779	2,362,972	562,040	226,124	182,588

* Revenue from continuing operations is presented for the year ended 31 December 2019.

Glossary

"AGM"	the annual general meeting of the Company
"Annual Report"	the annual report of the Company for the Year
"Articles"	the articles of association of the Company
"Audit Committee"	the audit committee of the Company
"Authorised Representative"	the authorised representative of the Company under Rules 3.05 and 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance
"Board"	the board of Directors
"Code"	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
"CHIH"	China Huarong International Holdings Limited, a company incorporated in Hong Kong with limited liability (formerly known as Huarong (HK) International Holdings Limited)
"China Huarong"	China Huarong Asset Management Co., Ltd., a company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2799)
"CO_2e"	carbon dioxide equivalent
"Companies Ordinance" or "CO"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	Huarong Investment Stock Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2277)
"Company Secretary"	the company secretary of the Company
"Corresponding Year"	the year ended 31 December 2018
"Deloitte"	Deloitte Touche Tohmatsu, the external auditor of the Company
"Director(s)"	director(s) of the Company
"ESG"	environmental, social and governance
"ESG Report"	the ESG report of the Company
"Executive Director(s)"	the executive Director(s)
"GHG"	greenhouse gas
"Group"	the Company and its subsidiaries

Glossary

"HK$" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"ICAC"	Independent Commission Against Corruption in Hong Kong
"Independent Non-executive Director(s)"	the independent non-executive Director(s)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Non-executive Director(s)"	the non-executive Director(s)
"PRC"	the People's Republic of China which, for the purposes of this Annual Report, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"Right Select"	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability and holding approximately 50.99% equity interest of the Company
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of the Company with par value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme adopted by the Company on 8 December 2014
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeover Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"US$" or "US Dollars"	United States Dollars, the lawful currency of the United States of America
"Year"	the year ended 31 December 2019
"%"	per cent