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CHINA INVESTMENTS HOLDINGS LIMITED
中國興業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 132)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

AUDITED CONSOLIDATED RESULTS

The board of directors (the "Directors") of China Investments Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	4	**79,550**	29,846
Cost of sales and services		**(37,534)**	(22,551)
Gross profit		**42,016**	7,295
Other operating income	6	**118,221**	12,741
Selling and distribution costs		**(1,820)**	(123)
Administrative expenses		**(70,206)**	(53,623)
Net gain on disposal of an investment property		**–**	14,472
Share of profit of associates		**78,218**	75,494
Increase in fair value of investment properties		**8,945**	1,094
Decrease in fair value of financial assets at fair value through profit or loss		**(1,148)**	–
Finance costs	7	**(86,296)**	(25,449)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Profit before taxation		**87,930**	31,901
Income tax expense	*8*	**(32,115)**	(4,271)
Profit for the year	*9*	**55,815**	27,630
Other comprehensive (expense)/income, net of income tax			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of hotel properties		**4,510**	2,818
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(51,585)**	6,544
Share of exchange difference of associates		**(38,044)**	49,690
Other comprehensive (expense)/income for the year, net of income tax		**(85,119)**	59,052
Total comprehensive (expense)/income for the year		**(29,304)**	86,682

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2018

	NOTES	**2018** **HK$'000**	2017 *HK$'000*
Profit/(loss) for the year attributable to:			
Owners of the Company		**42,383**	31,266
Non-controlling interests		**13,432**	(3,636)
		55,815	27,630
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(30,198)**	88,947
Non-controlling interests		**894**	(2,265)
		(29,304)	86,682
Earnings per share	*11*		
Basic		**HK2.48 cents**	HK1.83 cents
Diluted		**HK2.48 cents**	HK1.83 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**230,206**	232,525
Property, plant and equipment		**280,684**	283,080
Interests in associates	*12*	**821,682**	745,571
Financial assets at fair value through profit or loss		**7,598**	9,172
Finance lease receivables	*14*	**365,465**	–
Rental deposit		**3,417**	–
Right-of-use assets	*13*	**148,255**	–
		1,857,307	1,270,348
Current assets			
Properties held for sale		**39,000**	47,820
Inventories		**380**	494
Finance lease receivables	*14*	**242,708**	–
Trade and other receivables	*15*	**21,716**	7,926
Pledged bank deposit		**77,755**	63,963
Cash and cash equivalents		**1,221,671**	886,861
		1,603,230	1,007,064
Current liabilities			
Trade and other payables	*16*	**131,577**	130,852
Tax payables		**30,470**	7,137
Convertible notes		**152,226**	–
Lease liabilities	*13*	**4,980**	–
Borrowings	*17*	**1,071,264**	624,298
		1,390,517	762,287
Net current assets		**212,713**	244,777
Total assets less current liabilities		**2,070,020**	1,515,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2018

		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Capital and reserves			
Share capital		**171,233**	171,233
Reserves		**821,882**	849,001
Equity attributable to owners of the Company		**993,115**	1,020,234
Non-controlling interests		**338,205**	157,625
Total equity		**1,331,320**	1,177,859
Non-current liabilities			
Borrowings	*17*	**563,523**	185,965
Convertible notes		**–**	135,586
Deferred tax liabilities		**8,412**	15,715
Deposits received from customers	*14*	**21,315**	–
Lease liabilities	*13*	**145,450**	–
		738,700	337,266
		2,070,020	1,515,125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION

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 ("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 "Stock Exchange") and the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA which are or have become effective for the Group's financial year beginning on 1 January 2018:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HKFRS 16	Leases
HKAS 28 (Amendments)	As part of the Annual Improvements HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

The adoption of new and revised HKFRSs has no material effect on the Group's financial performance and positions for the current or prior accounting period. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective. The Directors of the Group anticipate that the application of these new HKFRSs will have no material impact on the results and the financial position of the Group.

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

[1] *Effective for annual periods beginning on or after 1 January 2019.*

[2] *Effective for annual periods beginning on or after 1 January 2020.*

[3] *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*

[4] *Effective for annual periods beginning on or after 1 January 2021.*

[5] *Effective date to be determined.*

Other than as explained in Note 3 regarding the impact of HKFRS 9, HKFRS 15, Amendments to HKFRS 15 and HKFRS 16, the adoption of the above new and revised standards has had no significant financial effect on the annual financial information.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The nature and the impact of the changes are described below:

3.1 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECLs") for financial assets and lease receivables and (3) general hedge accounting.

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

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

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

3.1 HKFRS 9 Financial Instruments (Continued)

	Original classification under HKAS 39	Original carrying amount under HKAS 39	New classification under HKFRS 9	New carrying amount under HKFRS 9
		HK$'000		*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	Available-for-sale finance asset at cost	9,172	Fair value through profit or loss	9,172
Cash and cash equivalents	Loans and receivables	886,861	At amortised cost	886,861
Pledged bank deposit	Loans and receivables	63,963	At amortised cost	63,963
Trade and other receivables	Loans and receivables	1,302	At amortised cost	1,302
Total financial assets		961,298		961,298

Impairment under ECL model

HKFRS 9 requires an impairment on trade receivables and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss (ECL) model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime ECLs on its trade receivables. The Group applied general approach and recorded twelve-month ECLs on its finance lease receivables. The Directors of the Group considered that the adoption of HKFRS 9 has had no material impact on the Group's retained profits as at 1 January 2018.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

3.2 HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do 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.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

3. **SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)**

3.2 HKFRS 15 Revenue from Contracts with Customers (Continued)

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or

- the Group's efforts or inputs to the satisfaction of the performance obligation.

Incremental costs incurred directly attributable to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The application of HKFRS 15 has no impact on the Group's opening retained profits in the consolidated statement of financial position at 1 January 2018.

The Group has reassessed its business model and contract terms to assess the effects of applying the new standard on the Group's financial statements. Management of the Group considered that HKFRS 15 did not result in significant impact on the Group's accounting policies.

Under HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. As at 31 December 2018, contract liabilities with amount of HK$4,768,000 are now separately presented under trade and other payables, as a result of the adoption of HKFRS 15.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

3.3 HKFRS 16 Leases

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases* ("HKAS 17"), HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* ("HK(IFRIC)-Int 4"), HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease* is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset, representing its right to use the underlying leased asset and a lease liability, representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying HKAS 7 Statement of Cash Flows.

HKFRS 16 substantially carries forward the lessor accounting requirements of the superseded HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

3.3 HKFRS 16 Leases (Continued)

The Group has reviewed the impact of HKFRS 16 on all its contracts that are, or that contain leases and has elected to early adopt HKFRS 16, with effect from 1 January 2018. The Group has opted for the modified retrospective application permitted by HKFRS 16 upon adoption of the new standard. Accordingly, the standard has been applied for the year from 1 January 2018 to 31 December 2018 only (i.e. the initial application year). Modified retrospective application requires the recognition of the cumulative impact of adoption of HKFRS 16 on all contracts as at 1 January 2018 in equity.

The early adoption of HKFRS 16 has no impact on the Group's consolidated statement of financial position and retained profits as at 1 January 2018. The details of the effect of Consolidated Statement of Finance Position as at 31 December 2018 and Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 are set out below:

Consolidated Statement of Financial Position as at 31 December 2018 (extract)

	Results without early adoption of HKFRS 16	**Results of early adoption of HKFRS 16**	**Results as reported**
	HK$'000	*HK$'000*	*HK$'000*
Assets			
Right-of-use assets	–	148,255	148,255
Liabilities			
Lease liabilities			
– Current portion	–	4,980	4,980
– Non-current portion	–	145,450	145,450
	–	150,430	150,430

3. SUMMARY OF EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES (Continued)

3.3 HKFRS 16 Leases (Continued)

Consolidated Statement of Profit or Loss for the year ended 31 December 2018 (extract)

	Results without early adoption of HKFRS 16	**Results of early adoption of HKFRS 16**	**Decrease/ (increase) in profit for the year**
	HK$'000	*HK$'000*	*HK$'000*
Administrative expenses	(71,182)	(70,206)	(976)
Finance costs	(84,817)	(86,296)	1,479
Profit for the year	56,318	55,815	503

Based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liabilities and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

4. REVENUE

Revenue represents the gross amounts received and receivable for revenue arising on big data business, hotel operation, and wellness elderly care business, sales of properties, goods sold by the Group to outside customers, less return and allowances and gross rental income, interest income generated from financial leasing, consultancy fee income provided to outsiders and others during the year.

The amount of each significant category of revenue recognised during the year is as follows:

	2018	2017
	HK$'000	*HK$'000*
Food and beverage	**41**	538
Service income from hotel operation	**8,550**	1,392
Rental income from hotel property	**4,642**	2,493
Rental income from investment properties and properties held for sale	**6,780**	6,373
Consultancy service income from financial leasing	**7,221**	–
Income from big data business	**12,057**	–
Interest income from financial leasing	**18,000**	–
Sales of properties	**17,100**	15,944
Service income from wellness elderly care business	**4,406**	3,106
Others	**753**	–
	79,550	29,846

5. SEGMENT INFORMATION

For management purposes, the Group is currently organised into six operating divisions – big data business, financial leasing, hotel operation, property investments, wellness elderly care business and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Big data business	–	industrial internet project construction, smart city construction and big data operating and management
Financial leasing	–	provision of finance lease consulting services and financing services in the PRC
Hotel operation	–	hotel ownership and management
Property investments	–	holding investment properties, properties held for sale and investment in the development and construction of industrial park
Wellness elderly care business	–	comprehensive elderly care services

5. **SEGMENT INFORMATION (Continued)**

For the property investments, the management reviews the financial information of each property investment, hence each property investment constitutes a separate operating segment. However, the property investments possess similar economic characteristics, and are with similar development and selling activities as well as similar customer bases. Therefore, all property investments are aggregated into one reportable segment for segment reporting purposes.

Segment information presented below:

	Segment Revenue		**Segment Result**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Big data business	**12,057**	–	**(387)**	–
Financial leasing	**25,221**	–	**14,498**	–
Hotel operation	**13,233**	4,423	**(6,015)**	(17,133)
Property investments	**23,880**	22,317	**10,759**	20,547
Wellness elderly care business	**4,406**	3,106	**(1,165)**	(5,561)
Others	**753**	–	**(3,642)**	–
Total	**79,550**	29,846	**14,048**	(2,147)
Bank interest income			**19,564**	3,015
Interest income from wealth management product			**2,079**	–
Compensation and government subsidies received for the development of Industrial Park in Danzao			**74,771**	–
Compensation of land resumption			**13,111**	–
Professional fee			**(8,018)**	(2,574)
Net central administration cost			**(25,335)**	(25,213)
Net exchange gain			**5,788**	8,775
Share of profit of associates			**78,218**	75,494
Finance costs			**(86,296)**	(25,449)
Profit before taxation			**87,930**	31,901
Income tax expense			**(32,115)**	(4,271)
Profit for the year			**55,815**	27,630

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: Nil).

5. SEGMENT INFORMATION (Continued)

Segment result represents the profit generated by each segment without allocation of bank interest income, interest income from wealth management product, compensation and government subsidies received for the development of Industrial Park in Danzao, compensation of land resumption, professional fee, net central administration costs, net exchange gain, share of profit of associates and finance costs. This is the measure reported to the Group's management for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

	2018	2017
	HK$'000	*HK$'000*
Segment assets		
Big data business	**4,442**	–
Financial leasing	**613,806**	–
Hotel operation	**155,026**	160,802
Property investments	**437,363**	292,463
Wellness elderly care business	**1,272**	550
Others	**665**	–
Total segment assets	**1,212,574**	453,815
Pledged bank deposit	**77,755**	63,963
Cash and cash equivalents	**1,221,671**	886,861
Interests in associates	**821,682**	745,571
Financial assets at fair value through profit or loss	**7,598**	9,172
Unallocated assets	**119,257**	118,030
Consolidated assets	**3,460,537**	2,277,412

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	2018	2017
	HK$'000	*HK$'000*
Segment liabilities		
Big data business	**6,977**	–
Financial leasing	**575,838**	–
Hotel operation	**5,967**	14,837
Property investments	**333,863**	108,475
Wellness elderly care business	**1,629**	2,380
Others	**1,619**	–
Total segment liabilities	**925,893**	125,692
Convertible notes	**231,047**	214,407
Borrowings	**917,646**	702,293
Unallocated liabilities	**54,631**	57,161
Consolidated liabilities	**2,129,217**	1,099,553

Other segment information

2018

	Big data business	**Financial leasing**	**Hotel operation**	**Property investments**	**Wellness elderly care business**	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation	**10**	**45**	**9,014**	**3,495**	**12**	**–**	**12,576**
Addition to property, plant and equipment	**701**	**2,814**	**1,601**	**4,948**	**–**	**–**	**10,064**
Gain on disposal of property, plant and equipment	**–**	**–**	**31**	**–**	**–**	**–**	**31**

5. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2017

	Big data business *HK$'000*	Financial leasing *HK$'000*	Hotel operation *HK$'000*	Property investments *HK$'000*	Wellness elderly care business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Depreciation	–	–	5,416	2,180	5	–	7,601
Additions to investment property	–	–	–	5,991	–	–	5,991
Additions to property, plant and equipment	–	–	37,825	4,770	38	–	42,633
Net gain on disposal of investment property	–	–	–	14,472	–	–	14,472
Loss on disposal of property, plant and equipment	–	–	(1,031)	–	–	–	(1,031)

Geographical segments

The Group's big data business, financial leasing, hotel operation, wellness elderly care business and others are located in the People's Republic of China (the "PRC"), other than Hong Kong.

Property investments are located in both the PRC and Hong Kong.

5. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The Group's revenue from external customers by location of operation and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets*	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**78,934**	28,475	**373,353**	378,902
Hong Kong	**616**	1,371	**19,510**	19,512
	79,550	29,846	**392,863**	398,414

* *Non-current assets excluded interests in associates, financial assets at fair value through profit or loss, finance lease receivables, rental deposit, right-of-use assets and unallocated non-current assets*

Information about major customers

During the year, HK$11,610,000 out of the Group's revenues of HK$79,550,000 arising from big data business were contributed by one customer. And the customer accounted for more than 10% of Group's total revenue.

6. OTHER OPERATING INCOME

Other operating income included the following items:

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**19,564**	3,015
Compensation and government subsidies received for the development of Industrial Park in Danzao	**74,771**	–
Compensation of land resumption	**13,111**	–
Interest income from wealth management product	**2,079**	–
Net exchange gain	**5,788**	8,775

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Handling fee	**19,007**	–
Loan arrangement fee	**6,078**	–
Interest on:		
– Bank loans	**33,033**	6,686
– Convertible notes	**19,965**	17,819
– Lease liabilities	**1,479**	–
– Loan from immediate holding company	**2,699**	249
– Loan from an associate	**731**	695
– Other loans	**3,304**	–
	86,296	25,449

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Tax charges comprise:		
Current tax:		
Provision for Hong Kong Profits Tax	**–**	(6)
Provision for PRC Enterprise Income Tax	**(39,025)**	–
Deferred tax:		
Temporary reversed/(differences) arising in current year	**6,910**	(4,265)
	(32,115)	(4,271)

Hong Kong profits tax is calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year, except for the first HK$2,000,000 of a qualified entity's assessable profit which is calculated at 8.25%, in accordance with the new two-tiered tax rate regime with effect from the year of assessment 2018/2019.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits in Hong Kong for the year ended 31 December 2018. In addition, the two-tiered profits tax rates regime is not applicable to one entity within the Group during the year.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the year ended 31 December 2018.

9. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after crediting/(charging):		
Depreciation of property, plant and equipment	**(14,492)**	(10,556)
Depreciation of right-of-use assets	**(783)**	–
Auditor's remuneration		
Audit service	**(1,500)**	(1,200)
Non-audit service	**(1,994)**	(106)
Gain/(loss) on disposal of property, plant and equipment	**74**	(928)
Net gain on disposal of an investment property	**–**	14,472
Net gain on disposal of properties held for sale	**8,238**	6,199
Impairment loss on trade and other receivables	**–**	(240)
Provision written back on trade and other receivables	**229**	–
Impairment loss on financial lease receivables	**(972)**	–
Cost of properties held for sale recognised as expense	**(8,862)**	(7,208)
Cost of inventories recognised as expense	**(1,489)**	(389)
Total staff costs		
Directors' remuneration	**(8,136)**	(8,149)
Other staff cost	**(27,112)**	(12,394)
Retirement benefit schemes contributions	**(1,209)**	(929)
Termination benefits	**(232)**	(3,555)
	(36,689)	(25,027)
Gross rental income from investment properties	**6,780**	6,373
Less:		
Direct operating expenses from investment properties that generated rental income during the year	**–**	(21)
Direct operating expenses from investment properties that did not generate rental income during the year	**(1,508)**	(2,037)
	5,272	4,315

10. DIVIDENDS

The Directors do not recommend or declare the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the profit attributable to the owners of the Company of approximately HK$42,383,000 (2017: profit of HK$31,266,000) and on the number of 1,712,329,142 ordinary shares (2017: 1,712,329,142 ordinary shares) in issue during the year.

No diluted earnings per share has been presented as there were no diluting events existing for both years.

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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company	**42,383**	31,266

Number of shares

	2018	2017
	'000	*'000*
Number of ordinary shares for the purpose of basic earnings per share	**1,712,329**	1,712,329

The denominators used are the same as those detailed above for both the basic and diluted earnings per share.

For the year ended 31 December 2018 and 2017, there was no dilutive earnings per share has been presented as the exercise of the convertible bonds would have an anti-dilutive effect on the basic earnings per share.

12. INTERESTS IN ASSOCIATES

Details of the Group's interests in associates are as follows:

	Guangdong Financial Leasing Co., Ltd 2018 ***HK$'000***	**Nanhai Changhai Power Company Limited 2018** ***HK$'000***	**Guangdong Tiannuo Civil Explosives Co., Limited 2018** ***HK$'000***	**Total 2018** ***HK$'000***	Total 2017 *HK$'000*
Initial cost of investments in associates					
Unlisted	**191,977**	**485,042**	**80,602**	**757,621**	677,019
Less: Distribution from pre-acquisition profit	**–**	**(143,562)**	**–**	**(143,562)**	(143,562)
	191,977	**341,480**	**80,602**	**614,059**	533,457
Goodwill	**–**	**–**	**70,963**	**70,963**	–
Share of post-acquisition profits	**64,829**	**245,042**	**5,264**	**315,135**	236,917
Share of exchange differences	**(18,072)**	**(41,450)**	**(3,325)**	**(62,847)**	(24,803)
Less: Distribution from post-acquisition profit	**–**	**(115,628)**	**–**	**(115,628)**	–
	238,734	**429,444**	**153,504**	**821,682**	745,571

12. INTERESTS IN ASSOCIATES (Continued)

Details of each the Group's material associates at the end of the reporting period are as follows:

Entity Name	Form of the entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of ownership interest held by the Group	Proportion of voting rights held by the Group	Principal activities
Guangdong Financial Leasing Co., Ltd.	Incorporated	The PRC	The PRC	Ordinary	25%	25%	Finance leasing business and related advisory and guarantee services
Nanhai Changhai Power Company Limited	Incorporated	The PRC	The PRC	Ordinary	32.636%	32.636%	Generation and sale of electricity and heated steam
Guangdong Tiannuo Civil Explosives Co., Ltd. *(Note)*	Incorporated	The PRC	The PRC	Ordinary	49%	49%	Manufacture and sale of emulsion explosives and industrial detonating cord

Note: On 28 March 2018, Foshan City Nanhai Canmanage Investments Holdings Limited* ("Nanhai Canmanage")（佛山市南海康美投資有限公司）, a wholly-owned subsidiary of the Group, entered into the capital contribution agreement for the capital contribution in Guangdong Tiannio Civil Explosives Co., Ltd*（廣東天諾民爆有限公司）("Tiannuo") and the acquisition of Guangdong Nanhong Chemical Co., Ltd*（廣東南虹化工有限公司）by Tiannuo thereafter in an amount of RMB130,333,102.44, for 49% of the enlarged equity interests of Tiannuo.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

12. INTERESTS IN ASSOCIATES (Continued)

Guangdong Financial Leasing Co., Ltd

	2018	2017
	HK$'000	*HK$'000*
Current assets	**2,743,225**	2,078,057
Non-current assets	**2,823,689**	2,739,712
Current liabilities	**(1,799,924)**	(1,201,146)
Non-current liabilities	**(2,633,195)**	(2,478,007)
Net asset value	**1,133,795**	1,138,616

	2018	2017
	HK$'000	*HK$'000*
Revenue	**364,758**	265,965
Profit for the year	**39,138**	66,537
Exchange differences for the year	**(49,414)**	64,295
Total comprehensive (expense)/income for the year	**(10,276)**	130,832

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2018	2017
	HK$'000	*HK$'000*
Net assets of the associate	**1,133,795**	1,138,616
Non-controlling interest of the associate's subsidiary	**(178,859)**	(173,404)
	954,936	965,212
Proportion of the Group's ownership interest in Guangdong Financial Leasing Co., Ltd	**25%**	25%
Carrying amount of the Group's interest in Guangdong Financial Leasing Co., Ltd	**238,734**	241,303

12. INTERESTS IN ASSOCIATES (Continued)

Nanhai Changhai Power Company Limited

	2018	2017
	HK$'000	*HK$'000*
Current assets	**994,698**	978,943
Non-current assets	**743,748**	879,475
Current liabilities	**(422,585)**	(313,290)
Net asset value	**1,315,861**	1,545,128

	2018	2017
	HK$'000	*HK$'000*
Revenue	**1,397,805**	1,275,128
Profit for the year	**193,558**	180,351
Exchange differences for the year	**(68,529)**	103,006
Total comprehensive income for the year	**125,029**	283,357

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2018	2017
	HK$'000	*HK$'000*
Net assets of the associate	**1,315,861**	1,545,128
Proportion of the Group's ownership interest in Nanhai Changhai Power Company Limited	**32.636%**	32.636%
Carrying amount of the Group's interest in Nanhai Changhai Power Company Limited	**429,444**	504,268

12. INTERESTS IN ASSOCIATES (Continued)

Guangdong Tiannuo Civil Explosives Co., Ltd.

Goodwill of approximately HK$70,963,000 was arising on the acquisition, and included within the carrying amount of interests in associates, with details as follows:

	2018	2017
	HK$'000	*HK$'000*
Purchase consideration	**148,444**	–
Share of fair value of net assets acquired	**(77,481)**	–
Goodwill	**70,963**	–

	2018	2017
	HK$'000	*HK$'000*
Current assets	**58,778**	–
Non-current assets	**232,499**	–
Current liabilities	**(120,876)**	–
Non-current liabilities	**(1,950)**	–
Net asset value	**168,451**	–

	2018	2017
	HK$'000	*HK$'000*
Revenue	**259,646**	–
Profit for the year	**10,742**	–
Exchange differences for the year	**(6,786)**	–
Total comprehensive income for the year	**3,956**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2018	2017
	HK$'000	*HK$'000*
Net assets of the associate	**168,451**	–
Proportion of the Group's ownership interest in Guangdong Tiannuo Civil Explosives Co., Ltd.	**49%**	–
Group's share of net assets in Guangdong Tiannuo Civil Explosives Co., Ltd.	**82,541**	–
Goodwill	**70,963**	–
Carrying amount of the Group's interest in Guangdong Tiannuo Civil Explosives Co., Ltd.	**153,504**	–

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	2018	2017
	HK$'000	*HK$'000*
At 1 January 2018	**–**	–
Additions	**155,010**	–
Depreciation provided during the year	**(783)**	–
Exchange difference	**(5,972)**	–
At 31 December 2018	**148,255**	–

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

Lease liabilities

	2018	2017
	HK$'000	*HK$'000*
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	**4,980**	–
One to five years	**29,463**	–
Over five years	**312,647**	–
Total undiscounted lease liabilities at 31 December 2018	**347,090**	–
Analysis:		
Current	**4,980**	–
Non-current	**145,450**	–
	150,430	–

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities (Continued)

Amounts recognised in the statement of financial position

	2018	2017
	HK$'000	*HK$'000*
At 1 January 2018	**–**	–
Additions during the year	**155,010**	–
Interest charged to profit or loss	**1,479**	–
Exchange difference	**(6,059)**	–
At 31 December 2018	**150,430**	–

Amounts recognised in consolidated profit or loss

	2018	2017
	HK$'000	*HK$'000*
Interest on lease liabilities	**1,479**	–

Amounts recognised in the consolidated statement of cash flows

	2018	2017
	HK$'000	*HK$'000*
Total cash outflow for leases	**–**	–

14. FINANCE LEASE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Analysed as:		
Current	**242,708**	–
Non-current	**365,465**	–
	608,173	–

	Present value of lease payments		**Minimum lease payments**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**252,388**	–	**286,004**	–
More than one year but not more than two years	**276,004**	–	**292,734**	–
More than two years but not more than five years	**80,715**	–	**85,700**	–
	609,107	–	**664,438**	–
Less: unearned interest income	**N/A**	N/A	**(55,331)**	–
Present value of minimum lease payment receivables	**609,107**	N/A	**609,107**	–
Less: impairment loss allowance				
– twelve-month ECL allowance	**(934)**	**–**	**(934)**	**–**
	608,173	**–**	**608,173**	**–**

14. FINANCE LEASE RECEIVABLES (Continued)

Movements of impairment loss allowance on finance lease receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**–**	–
Impairment losses recognised	**972**	–
Foreign exchange translation gains and losses	**(38)**	–
Balance at the end of the year	**934**	–

All leases are denominated in RMB. The term of finance lease is ranged from 1 to 5 years. The effective interest rate of the finance lease as at 31 December 2018 is ranged from 5.30% to 7.41% per annum.

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements that needed to be recorded as at the end of the reporting period.

The finance lease receivables are secured by the leased assets, mainly plant and machinery leased, as at 31 December 2018. The Group is not permitted to sell, or repledge the collateral of the finance lease receivables without consent from the lessee in the absence of default by the lessee.

Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

Security deposits received from customers as at 31 December 2018 represent finance lease deposits received from customers which are repayable by end of the lease period of the respective finance leases. Deposits of HK$21,315,000 have been received by the Group to secure certain finance lease receivables and are classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements. The deposits are non-interest bearing.

The finance lease receivables at the end of the reporting period are neither past due nor impaired.

15. TRADE AND OTHER RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 90 days to its customers.

The following is an aging analysis of the Group's trade receivables after deducting the impairment loss allowance presented based on invoice dates at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0-60 days	**1,194**	799
61-90 days	**29**	163
91-120 days	**–**	51
Over 120 days	**48**	79
Trade receivables	**1,271**	1,092
Other receivables	**20,445**	6,834
	21,716	7,926

The Group does not hold any collateral or other credit enhancements over these balances.

The Group's largest trade receivables balance was amounting to HK$628,000 (2017: HK$510,000) at the end of the year. Six (2017: four) other trade receivables balance represented more than 5% of the total balance of trade receivables and amounted to HK$668,000 (2017: HK$956,000).

At as 31 December 2018, trade receivables over 90 days amounted to HK$48,000 (2017: HK$130,000) were past due but not impaired as the balance were related to debtors with sound repayment history and no recent history of default.

15. TRADE AND OTHER RECEIVABLES (Continued)

An aging analysis of receivables that are past due but not impaired:

	2018	2017
	HK$'000	*HK$'000*
91-120 days	**–**	51
Over 120 days	**48**	79
	48	130

Movements of impairment loss allowance on trade receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**498**	241
Impairment recognised on trade receivables	**26**	254
Provision written back on trade receivables	**(255)**	(14)
Foreign exchange translation gains and losses	**(13)**	17
Balance at the end of the year	**256**	498

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

As at 31 December 2018, trade receivables over 120 days approximately amounted to HK$26,000 (2017: HK$254,000) were impaired and fully provided for.

The carrying amounts of the trade and other receivables that were neither past due nor impaired relate to other debtors for whom there was no recent history of default. The Directors considered that the carrying amount of trade and other receivables approximates to their fair value.

16 TRADE AND OTHER PAYABLES

The credit period granted by the Group's supplies ranges from 30 days to 90 days.

The following is an aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0-60 days	**3,269**	615
61-90 days	**1**	302
91-120 days	**–**	–
Over 120 days	**200**	89
Trade payables	**3,470**	1,006
Other payables	**128,107**	129,846
	131,577	130,852

Other payables included the following items:

	2018	2017
	HK$'000	*HK$'000*
Contract liabilities *(Note 1)*	**4,768**	–
Other tax payables	**10,921**	11,412
Payables on convertible notes and interest payables *(Note 2)*	**78,819**	78,819
Others *(Note 3)*	**33,599**	39,615
	128,107	129,846

Notes:

1. Upon the adoption of HKFRS 15, contract liabilities as at 31 December 2018 are separately presented. See note 3.2 for explanation.

16 TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

2. On 9 May 2002, the Group issued HK$230,000,000 convertible notes (the "2002 CB") which were due on 9 May 2007 (the "Maturity Date"), bearing interest at 1% per annum and in units of HK$1,000,000 each. As at 31 December 2018 and 2017, the balance of HK$75,000,000 2002 CB were due but not converted. Such principal monies together with all interest accrued thereon up to Maturity Date, amounting to HK$3,819,000 (2017: HK$3,819,000), were reclassified as other payables and become repayable on demand.

3. Others include accrued staff salaries and welfare, deposits received from hotel customers and other temporary receipts.

The Directors considered that the carrying amount of trade and other payables approximates to their fair value. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank loans	**1,465,060**	680,647
Loan from an associate	**–**	39,616
Loan from immediate holding company	**90,000**	90,000
Other loans	**79,727**	–
	1,634,787	810,263
Secured	**1,465,060**	680,647
Unsecured	**169,727**	129,616
	1,634,787	810,263
Carrying amount repayable:		
Within one year	**1,071,264**	624,298
More than one year, but not exceeding two years	**404,003**	24,010
More than two years, but not more than five years	**142,505**	126,014
More than five years	**17,015**	35,941
	1,634,787	810,263
Less: Amount shown under current liabilities	**1,071,264**	624,298
	563,523	185,965

17. BORROWINGS (Continued)

On 12 April 2017, the Group obtained a short-term loan amounting to RMB33,000,000 from the Group's associate, Nanhai Changhai Power Company Limited, is unsecured with a fixed interest rate at 2.6% per annum and repayable on demand. The loan was fully settled during the year.

On 5 December 2017, the Group obtained a three-year loan amounting to HK$90,000,000 from the Group's immediate holding company, Prize Rich Inc. is unsecured with a fixed interest rate at 3% per annum.

On 6 December 2017, the Group has obtained a loan facility from a bank of approximately USD110,090,000, for which a controlling shareholder has provided the necessary corporate guarantee. As at 31 December 2018, the Group has utilised the loan facility of USD100,000,000. (equivalent to HK$783,038,000) (2017: USD70,000,000).

In March 2018, the Group obtained two two-year unsecured loans amounting to RMB70,000,000 (equivalent to HK$79,727,000) in total from two independent third parties, at a floating interest rate plus a premium calculated at 10% above the prevailing RMB benchmark rate published by The People's Bank of China. On 26 February 2019 and 27 February 2019, the Group entered into the Supplemental Loan Agreements with these two parties respectively, in which the loan repayment periods for these two loans were extended by 2 years to March 2022. Interest rates and any other terms and conditions of the loans remained unchanged.

On 16 April 2018, the Group obtained a loan facility from a bank of HK$40,000,000. It has been secured by the Group's property of approximately HK$73,218,000 which are situated at Unit 01, 14 and 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong.

During the year, specifically for the Group's operation of financial leasing business, the Group obtained loans from Guangdong Nanhai Rural Commercial Bank, Bank of DongGuan and Guangdong Huaxing Bank, amounting to HK$577,855,000, which are interest bearing at floating rates ranged from 5.23% to 6.50% per annum. As at 31 December 2018, the carrying amount of the loans was HK$546,367,000, in which approximately HK$130,980,000 of loans are secured by the Group's investment property, while approximately HK$415,387,000 of loans are secured by the finance lease receivables of approximately HK$505,647,000 of the Group. Such loans are repayable within 5 years according to their own repayment schedules.

According to HK Int 5, which requires the classification of whole instalment loans containing the repayment on demand clause as current liabilities, the aggregate carrying amounts of HK$827,647,000 (2017: HK$572,677,000) have been reclassified from non-current liabilities to current liabilities as at 31 December 2018.

17. BORROWINGS (Continued)

The secured bank loans of HK$1,465,060,000 (2017: HK$680,647,000) are secured by the Group's investment property and property, plant and equipment of approximately HK$316,414,000 (2017: HK$323,697,000) that is situated at Block 1 of Guangdong-Hongkong Finance & Technology Park, 6 Jinke Road, Guicheng Street, Nanhai District, Foshan City, Guangdong Province, the PRC and Unit 01, 14 and 15 on 5th Floor, Wing On Plaza, No. 62 Mody Road, Kowloon, Hong Kong, the pledged finance lease receivables amounted to HK$505,647,000 (2017: Nil) and the pledged bank deposit amounted to HK$77,755,000 (2017: HK$63,963,000). The weighted average effective rate on the bank loans is from 1.95% to 4.90% (2017: from 2.03% to 6.15%) per annum and repayable within 17 years.

The fair values of current borrowings equal their carrying amounts, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on borrowing rates from 1.95% to 4.90% (2017: 2.03% to 6.15%) and are within level 3 of the fair value hierarchy.

The Group's borrowings denominated in the following currencies:

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Dollars	**134,609**	115,851
Renminbi	**717,140**	147,586
USD	**783,038**	546,826
	1,634,787	810,263

18. NON-CONTROLLING INTERESTS

The table below shows details of the non-wholly owned subsidiary of the Company that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Proportion of voting right held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
						HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guangdong Yibaijian Comprehensive Health Technology Ltd* 廣東壹佰健大健康科技有限公司	PRC	**30%**	30%	**30%**	30%	**(336)**	(1,747)	**(883)**	(547)
Guangdong Sino Rock Tyco Construction Co., Ltd.* 廣東中岩泰科建設有限公司	PRC	**20%**	20%	**20%**	20%	**1,326**	14	**218,982**	153,675
China Select Small Hotel Union Limited* 興業民宿互助社有限公司	Hong Kong	**49%**	49%	**49%**	49%	**(1,316)**	–	**2,284**	3,600
Canton Risen Financial Leasing Co., Limited* 廣東粵盛科融資租賃有限公司	PRC	**37%**	–	**37%**	–	**1,290**	–	**116,995**	–

* *For identification purposes only*

Summarised financial information in respect of the Group's subsidiaries that have a material non-controlling interests are set out below. The summarised financial information below represents amounts before intragroup eliminations.

18. NON-CONTROLLING INTERESTS (Continued)

Guangdong Yibaijian Comprehensive Health Technology Co., Ltd ("Yibaijian")

	2018	2017
	HK$'000	*HK$'000*
Current assets	**3,982**	5,649
Non-current assets	**19**	33
Current liabilities	**(1,629)**	(1,904)
Equity attributable to owners of the Company	**3,255**	4,325
Non-controlling interests	**(883)**	(547)
Revenue	**4,406**	3,106
Loss for the year	**(1,261)**	(5,592)
Loss for the year attributable to:		
Owners of the Company	**(882)**	(3,915)
Non-controlling interests of Yibaijian	**(379)**	(1,677)
	(1,261)	(5,592)
Other comprehensive expense, net of income tax:		
Exchange difference arising on translation of foreign operations:		
Owners of the Company	**(188)**	(164)
Non-controlling interests of Yibaijian	**43**	(70)
	(145)	(234)

18. NON-CONTROLLING INTERESTS (Continued)

Guangdong Yibaijian Comprehensive Health Technology Co., Ltd ("Yibaijian") (Continued)

	2018	2017
	HK$'000	*HK$'000*
Total comprehensive expense attributable to:		
Owners of the Company	**(1,070)**	(4,079)
Non-controlling interests of Yibaijian	**(336)**	(1,747)
	(1,406)	(5,826)
Net cash outflow from operating activities	**(2,601)**	(3,964)
Net cash inflow/(outflow) from investing activities	**11**	(33)
Net cash inflow from financing activities	**–**	9,604
Net cash (outflow)/inflow	**(2,590)**	5,607

Guangdong Sino Rock Tyco Construction Co., Ltd. ("Sino Rock")

	2018	2017
	HK$'000	*HK$'000*
Current assets	**1,033,605**	700,500
Non current assets	**153,891**	–
Current liabilities	**(23,923)**	(78)
Non current liabilities	**(145,450)**	–
Equity attributable to owners of the Company	**799,141**	546,747
Non-controlling interests	**218,982**	153,675
Revenue	**–**	–
Profit/(loss) for the year	**67,958**	(7,229)
Profit/(loss) for the year attributable to:		
Owners of the Company	**54,366**	(5,783)
Non-controlling interests of Sino Rock	**13,592**	(1,446)
	67,958	(7,229)

18. NON-CONTROLLING INTERESTS (Continued)

Guangdong Sino Rock Tyco Construction Co., Ltd. ("Sino Rock") (Continued)

	2018	2017
	HK$'000	*HK$'000*
Other comprehensive expense, net of income tax:		
Exchange difference arising on translation of foreign operations:		
Owners of the Company	**(26,945)**	5,841
Non-controlling interests of Sino Rock	**(12,266)**	1,460
	(39,211)	7,301
Total comprehensive income attributable to:		
Owners of the Company	**27,421**	58
Non-controlling interests of Sino Rock	**1,326**	14
	28,747	72
Net cash inflow/(outflow) from operating activities	**44,656**	(7,151)
Net cash inflow from investing activities	**11,892**	–
Net cash inflow from financing activities	**217,642**	700,350
Net cash inflow	**274,190**	693,199

China Select Small Hotel Union Limited ("China Select Small")

	2018	2017
	HK$'000	*HK$'000*
Current assets	**7,740**	9,720
Current liabilities	**(1,646)**	–
Equity attributable to owners of the Company	**3,810**	6,120
Non-controlling interests	**2,284**	3,600
Revenue	**753**	–
Loss for the year	**(2,964)**	–

18. NON-CONTROLLING INTERESTS (Continued)

China Select Small Hotel Union Limited ("China Select Small") (Continued)

	2018	2017
	HK$'000	*HK$'000*
Loss for the year attributable to:		
Owners of the Company	**(1,866)**	–
Non-controlling interests of China Select Small	**(1,098)**	–
	(2,964)	–
Other comprehensive expense, net of income tax:		
Exchange difference arising on translation of foreign operations:		
Owners of the Company	**(444)**	–
Non-controlling interests of China Select Small	**(218)**	–
	(662)	–
Total comprehensive expenses attributable to:		
Owners of the Company	**(2,310)**	–
Non-controlling interests of China Select Small	**(1,316)**	–
	(3,626)	–
Net cash outflow from operating activities	**(2,700)**	–
Net cash inflow from investing activities	**5**	–
Net cash inflow from financing activities	**–**	9,720
Net cash (outflow)/inflow	**(2,695)**	9,720

18. NON-CONTROLLING INTERESTS (Continued)

Canton Risen Financial Leasing Co., Limited ("Canton Risen")

	2018	2017
	HK$'000	*HK$'000*
Current assets	**546,442**	–
Non-current assets	**358,446**	–
Current liabilities	**(240,383)**	–
Non-current liabilities	**(335,455)**	–
Equity attributable to owners of the Company	**212,055**	–
Non-controlling interests	**116,995**	–
Revenue	**36,768**	–
Profit for the year	**17,233**	–
Profit for the year attributable to:		
Owners of the Company	**15,891**	–
Non-controlling interests of Canton Risen	**1,342**	–
	17,233	–
Other comprehensive expense, net of income tax:		
Exchange difference arising on translation of foreign operations:		
Owners of the Company	**(3,039)**	–
Non-controlling interests of Canton Risen	**(52)**	–
	(3,091)	–

18. NON-CONTROLLING INTERESTS (Continued)

Canton Risen Financial Leasing Co., Limited ("Canton Risen") (Continued)

	2018	2017
	HK$'000	*HK$'000*
Total comprehensive income attributable to:		
Owners of the Company	**12,852**	–
Non-controlling interests of Canton Risen	**1,290**	–
	14,142	–
Net cash outflow from operating activities	**(779,275)**	–
Net cash outflow from investing activities	**(2,544)**	–
Net cash inflow from financing activities	**850,979**	–
Net cash inflow	**69,160**	–

19. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

Deemed disposal of interest in a subsidiary without loss of control

On 27 September 2018, pursuant to 1st capital injection agreement, a third party injected cash of RMB52,145,000 (equivalent to approximately HK$59,237,000) respectively as itself capital contribution to Canton Risen Financial Leasing Co., Limited, a wholly owned subsidiary of the Group, which has an effective dilution of the Group's interest in Canton Risen Financial Leasing Co., Limited. After these capital contribution, the Group and the party together own equity interests of Canton Risen Financial Leasing Co., Limited as to 77.28% and 22.72% respectively, and the Group still controls Canton Risen Financial Leasing Co., Limited.

On 28 December 2018, pursuant to 2nd capital injection agreement, another third party injected cash of RMB52,147,000 (equivalent to approximately HK$59,604,000) respectively as itself capital contribution to Canton Risen Financial Leasing Co., Limited, which has an effective dilution of the Group's interest in Canton Risen Financial Leasing Co., Limited. After these capital contribution, the Group and two parties together own equity interests of Canton Risen Financial Leasing Co., Limited as to 62.98% and 37.02% respectively, and the Group still controls Canton Risen Financial Leasing Co., Limited.

19. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL (Continued)

Deemed disposal of interest in a subsidiary without loss of control (Continued)

The Group recognised an increase in non-controlling interests of HK$118,841,000 and no change in equity attributable to equity holders of the Company.

The effects of changes in the ownership interests of Canton Risen Financial Leasing Co., Limited on the equity attributable to equity holders of the Company are summarised as follows:

	2018	2017
	HK$'000	*HK$'000*
Carrying amount of non-controlling interests disposed of	**118,841**	–
Consideration received from non-controlling interests	**(118,841)**	–
Gain on disposal recognised within equity	**–**	–

20. EVENT AFTER REPORTING PERIOD

On 21 January 2019, Sino Rock, a subsidiary of the Group, entered into the four lease arrangements with 佛山市南海聯運投資有限公司 (Foshan City Nanhai Lianyun Investment Co., Ltd.) ("Nanhai Lianyun"), pursuant to which Nanhai Lianyun leased the unencumbered land use right for four pieces of unencumbered industrial land totalling 472.98 acres (equivalent to approximately 315,313.2 square metres) situated at 中國佛山市南海區丹灶鎮丹灶物流中心 (Danzao Logistics Centre, Danzao Town, Nanhai District, Foshan City, the PRC) to Sino Rock, for an aggregate consideration of approximately RMB709,161,000 (equivalent to approximately HK$819,790,000) for a term of approximately 33 years.

Further details of these land use right lease arrangements are set out in the Group's announcement dated 23 January 2019 and circular dated 22 February 2019.

On 21 February 2019, Canton Risen, a subsidiary of the Group, entered into the Finance Lease with the Lessees, 佛山市南海恒源物業管理有限公司 (Foshan City Nanhai Hengyuan Property Management Co., Ltd.) and 佛山市南海區大瀝鎮源生水處理有限公司 (Foshan City Nanhai District Dali Town Yuansheng Water Treatment Co., Ltd.) in relation to the transfer of the unencumbered ownership and lease back of designated pipelines for sewage collection systems, to acquire the ownership of the assets from the Lessees for RMB140,000,000 (equivalent to approximately HK$163,660,000), which would be leased back to the Lesses for their use and possession for a term of 5 years. Such amount should be payable within 1 month from the date of the Finance Lease, i.e. on 21 March 2019 or before to the Lessees.

20. EVENT AFTER REPORTING PERIOD (Continued)

Further details of this Finance Lease are set out in the Group's announcement dated 21 February 2019 and circular dated 13 March 2019.

On 26 February 2019 and 27 February 2019, Nanhai Canmanage, a subsidiary of the Group, entered into the Supplemental Loan Agreements with the individual third parties, 佛山市南海交通建設集團有限公司 ("南海交建") and 佛山市南海聯達投資（控股）有限公司 ("南海聯達投資") respectively, in which the loan repayment periods for the two separate unsecured loans since March 2018, amounting to RMB40,000,000 from 南海交建 and RMB30,000,000 from 南海聯達投資, were extended by 2 years to March 2022. Interest rates and any other terms ond conditions of the loans remained unchanged.

On 7 March 2019, Sino Rock, a subsidiary of the Group, entered into the lease arrangements with 佛山市南海區丹灶鎮土地資源開發公司 (Foshan City Nanhai District Danzao Town Land Resources Development Ltd.) ("Danzao Town Land Resources Development"), pursuant to which Danzao Town Land Resources Development leased the unencumbered land use right for four pieces of unencumbered industrial land totalling 699.55 acres (equivalent to approximately 466,367.8 square metres) situated at 中國佛山市南海區丹灶鎮丹灶物流中心 (Danzao Logistics Centre, Danzao Town, Nanhai District, Foshan City, the PRC) to Sino Rock, for an aggregate amount of rents and management fees of approximately RMB1,049,933,000 (equivalent to approximately HK$1,228,421,000) for terms ranging from approximately 32 to 34 years.

Further details of these land use right lease arrangements are set out in the Group's announcement dated 7 March 2019.

Meanwhile, Sino Rock, a subsidiary of the Group, entered into the acquisition agreement between Sino Rock and 佛山市南海區丹灶仙湖灣商業廣場開發有限公司 (Foshan City Nanhai District Danzao Xianhuwan Commercial Plaza Development Co., Ltd.) and 黃培佳 (Huang Peijia) in relation to the acquisition of 100% equity interest in 佛山市仙湖灣置業有限公司 (Foshan City Xianhuwan Development Co., Ltd) for a consideration of RMB185,000,000 (equivalent to approximately HK$216,450,000). This target company was set up for the sole purpose of, after the entering into of the acquisition agreement, holding the target properties namely, Blocks A, B, C, D, E and F of Xianhuwan Commercial Plaza with a gross floor area of approximately 28,552.74 square metre situated at No.3 Yang Guang Road, Danzao Xianhu Resort Area, Nanhai District, Foshan City.

Further details of this acquisition are set out in the Group's announcement dated 7 March 2019.

20. EVENT AFTER REPORTING PERIOD (Continued)

On 12 March 2019, in accordance with the terms and conditions of the convertible bonds, the Group and its major shareholder, Prize Rich Inc. entered into the extension deed to extend the maturity date of the outstanding convertible bonds in the principal amount of HK$166,232,000 by 5 years from 13 October 2019 to 13 October 2024 (i.e. the extended CB maturity date), with all the terms and conditions of the outstanding convertible bonds unchanged.

Further details of this extension deed of the convertible bonds are set out in the Group's announcement dated 12 March 2019.

On 25 March 2019, Nanhai Canmanage, a subsidiary of the Group, entered into the Capital Injection Agreement with Foshan City Nanhai District Lianhua Asset Operation & Management Co., Ltd. ("Nanhai Lianhua")*（佛山市南海區聯華資產經營管理有限公司）Guangdong Nanhai Chemical Factory Co., Ltd. ("Nanhai Chemical")*（廣東省南海化工總廠有限公司）, and Tiannuo in relation to the Capital Injection on the basis of their respective shareholding proportion in Tiannuo. Pursuant to the Capital Injection Agreement, Nanhai Canmanage has agreed to inject an amount of RMB40,000,000 (equivalent to approximately HK$46,760,000) to the capital of Tiannuo. Upon completion of the Capital Injection, the percentage shareholding interest of Nanhai Canmanage, Nanhai Lianhua and Nanhai Chemical in Tiannuo will remain unchanged at 49%, 2% and 49% respectively.

Further details of the Capital Injection is set out in the Group's announcement dated 25 March 2019.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 December 2018, the Group recorded a total revenue of HK$79,550,000, representing a significant year-on-year increase of 167%. Such increase was attributable to the increase in operating income of approximately HK$25,221,000 and approximately HK$12,057,000 from financial leasing business and the newly developed big data business respectively, as well as the increase of approximately HK$8,810,000 in operating income from Guilin Plaza which had its business operation gradually resume normal after reopening in November 2017.

In addition to the above mentioned businesses which brought about new profit contribution and the improvement of the hotel business from loss following its official reopening, the Group received other incomes totalling approximately HK$74,771,000 including the government subsidies for relevant projects in relation to its development of the industrial park in Danzao. Therefore, the Group was able to post a net profit of approximately HK$55,815,000 for the whole year despite the finance costs including the substantial interest expenses incurred for the development of the industrial park in Danzao and other projects and investments, representing a significant increase of 102% as compared to the same period of last year.

FINANCIAL LEASING BUSINESS

The Group has engaged in the operation and management of financial leasing business and gradually accumulated related experience through Guangdong Financial Leasing Co., Ltd.*, a 25%-owned associate of the Group since 2014. The Group holds an optimistic view on the prospects of the development of financial leasing business in China. In 2017, the Group has established a wholly-owned subsidiary Canton Risen Financial Leasing Co., Ltd.* to further develop the financial leasing business, and initially intends to focus on business areas including public utilities projects, environmental protection and energy-saving projects, new energy projects and tele-communication projects. The financial leasing business recorded an operating income of approximately HK$25,221,000 and an operating profit of approximately HK$14,498,000 for the year, which is expected to fuel the Group's future earnings growth.

PROPERTY INVESTMENTS

The Group's overall rental income in 2018 was approximately HK$6,780,000, representing an increase of 6% as compared to the same period last year. As the ancillary facilities enhancement work at Zhongkong Tower in Foshan was completed, the overall occupancy rate of Zhongkong Tower increased to 82% and the rental income for the year amounted to approximately HK$4,756,000, representing a significant increase of 54% as compared to the same period last year. As some of the properties of Shantou Commercial Plaza were sold out during the period, rental income for the year decreased by 11% to approximately HK$1,394,000 as compared to last year. As most of the properties of Huizhou International Commerce Building and unit A on the ground floor in Kai Yip Factory Building, San Po Kong, Hong Kong were sold out in 2017, coupled with the fact that the remaining properties of Huizhou International Commerce Building were all sold out at the beginning of the year, the rental income of Huizhou International Commerce Building and the properties in Hong Kong for the period significantly decreased by 96% to approximately HK$14,000 and 55% to approximately HK$616,000, respectively as compared to the same period last year.

In respect of property sales, the Group completed the disposal of 7 units of Huizhou International Commerce Building and 33 units of Shantou Commercial Plaza, cashing out a total of approximately HK$17,100,000 and generating a total gain of approximately HK$8,238,000 during the period.

As disclosed in the announcement of the Company dated on 16 November 2017, by capitalizing on the Group's solid position in the property development and investment segments, the Group will continue to make use of its accumulated experience in such areas to establish Guangdong Sino Rock Tyco Construction Co., Ltd.（廣東中岩泰科建設有限公司）("Sino Rock Tyco"), an 80%-owned joint venture of the Group to develop the industrial park in Danzao Town, Nanhai District, Foshan City, the PRC, which is designed to house the main and spare production plants, pilot base, research and development centre and ancillary facilities for new energy vehicles. It is expected that the construction of the most areas of the industrial park will commence in the first half of 2019 and be completed in 2020.

WELLNESS ELDERLY CARE BUSINESS

Guangdong Yibaijian Comprehensive Health Technology Ltd.（廣東壹佰健大健康科技有限公司）("Guangdong Yibaijian"), a 70%-owned company of the Group, has completed the whole construction work and passed the comprehensive system test of smart platform for management of integrated elderly care services in Nanhai District (the "Smart Elderly Care Services Platform"), and has commenced operation. On 4 December 2017, Guangdong Yibaijian won the tender of the second phase construction of the Smart Elderly Care Services Platform. As of December 2018, Guangdong Yibaijian had completed the development, implementation and acceptance procedures of the project, further optimized the Smart Elderly Care Services Platform and achieved the IT-based management of the platform in a more efficient manner. In addition, Guangdong Yibaijian explored various value-added services for health management, such as referral and quality supervision of home elderly care services and relief, endeavouring to diversify sources of operating income. Meanwhile, by drawing upon the leading role of the platform in demonstration, the Group has also formulated plans to gradually expand the coverage of the Smart Elderly Care Services Platform to other towns in Nanhai District, aiming to develop elderly care platform projects in the surrounding areas of Foshan and even within and outside Guangdong Province. At the same time, taking the Smart Elderly Care Services Platform as a breakthrough point to enter into the elderly care industry, the Group is currently promoting it through media in a comprehensive manner to enhance market awareness, thereby further extending its coverage to other wellness elderly care services and continuously developing towards the goal of establishing a 3-tier elderly care system comprising institutes, communities and households in Nanhai District. As the elderly care project is still at the initial stage of investment construction and promotion, it posted an operating income of only approximately HK$4,406,000, and has yet to generate a net profit for the Group but recorded a loss of approximately HK$1,165,000.

BIG DATA BUSINESS

In February of this year, the Group established Guangdong Sinsing Technology Limited（廣東鑫興科技有限公司）as its wholly-owned subsidiary in industrial Internet project construction, smart city construction, big data operation and management and other businesses. Considerable results have been achieved for the year, which is evidenced by the inclusion of its "Second-level Node (Foshan) of the Industrial Internet Identification" into the industrial Internet Pilot Demonstration Projects for 2018, making the project the first platform in Foshan which was recognized by the Ministry of Industry and Information Technology as one of the pilot demonstration projects for the innovative application of identity analysis and integration for 2018. In addition, the (South China) node of the Big Data Platform for National Security Industries was officially launched in 2018, and Alibaba Cloud Innovation Center (Foshan) publicly attracted the move-in of enterprises at the end of 2018. During the year, the big data business posted an operating income of approximately HK$12,057,000 and a gross profit of approximately HK$782,000, and recorded a slight operating loss of approximately HK$387,000 as the project is still at the initial stage of investment.

HOTEL BUSINESS

Coffetel Guilin Plaza ("Guilin Plaza") was under renovation from March to October in 2017, and resumed normal operation gradually after reopening in November 2017, thus increasing the operating income to approximately HK$13,233,000 in the year, up by 199% from the same period last year. In addition, due to the business reorganization of Guilin Plaza, the number of hotel rooms was reduced while the rental area increased, thereby decreasing the demand for labor and the cost expenses. However, severance payment of approximately HK$3,555,000 was incurred in the same period last year. The combined effect of the above resulted in a decrease of 65% in the operating loss of Guilin Plaza to approximately HK$6,015,000 in the year as compared to the same period last year.

In order to expand the diversified business related to the hotel industry, the Group formed China Select Small Hotel Union Limited (a 51%-owned subsidiary of the Group) with T-Box Union (China) Financial Holdings Investments Limited and T-Box Union Investments Limited on 29 September 2017, in an effort to provide integrated service in the homestay inn and small hotel industry, including the provision of quickly-constructed T-BOX® mobile homes with zero-sewage discharge environmental-friendly systems, direct sales management software and financing solutions. The Group actively organised teams during the year for the establishment of Unions and the promotion of Wechat direct sales tools, which has already launched direct sales for 1,690 hotels. Meanwhile, two T-BOX projects and relevant environmental-friendly projects have been carried out for the implementation of the T-BOX® mobile homes and discharge environmental-friendly systems in Ranjia Villiage in Gansu and the Fairy Mountain in Wulong, Chongqing, striving to bring about positive impacts on the diversified development of the the Company's hotel-related operations in the context of development of Guangdong-Hong Kong-Macau Greater Bay Area. However, as this business is still in the initial stage of promotion, an operating loss of approximately HK$3,642,000 was recorded.

PROFIT FROM INVESTMENTS IN ASSOCIATES

Nanhai Changhai Power Company Limited (南海長海發電有限公司) ("Changhai Power"), a 32.636%-owned joint venture of the Group, recorded a cost increase due to the higher coal prices in the period, but it was offset by the substantial increase in sales volume of steam as compared to the same period last year. Accordingly, the operating performance in 2018 still improved with an operating profit of HK$193,558,000, thus contributing earnings of HK$63,169,000 to the Group, representing an increase of 7% as compared to last year.

As Guangdong Financial Leasing Co., Ltd. (廣東粵科融資租賃有限公司), a 25%-owned associate of the Group, changed its accounting estimation method for provision of impairment by adopting the prospective application method during the year, the provision for expected impairment loss allowance amounted to approximately HK$47,417,000, which resulted in a substantial decrease in operating profit to approximately HK$39,138,000, contributing a profit of HK$9,785,000 to the Group, representing a decrease of 41% as compared to the same period last year.

On 28 March 2018, Foshan City Nanhai Canmanage Investments Holdings Limited (佛山市南海康美投資有限公司) ("Nanhai Canmanage"), a wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement with Foshan City Nanhai District Lianhua Asset Operation & Management Co., Ltd. (佛山市南海區聯華資產經營管理有限公司) ("Nanhai Lianhua"), Guangdong Nanhai Chemical Factory Co., Ltd. (廣東省南海化工總廠有限公司) ("Nanhai Chemical") and Tiannuo. Nanhai Canmanage has agreed to contribute an amount of approximately RMB130,333,000 to the capital of Tiannuo, for 49% of the enlarged equity interests of Tiannuo and the acquisition of the Guangdong Nanhong Chemical Co., Ltd. (廣東南虹化工有限公司) ("Guangdong Nanhong") by Tiannuo thereafter. The aforesaid capital contribution agreement and the relevant transactions as contemplated thereunder had been approved at the special general meeting of the Company held on 25 May 2018, and the investment in Tiannuo was completed on 20 August 2018. Tiannuo completed the acquisition of Guangdong Nanhong on 9 October 2018, which will help the Group to improve its profitability and to explore the potential of the domestic civil explosive business. It contributed a profit of HK$5,264,000 to the Group during the year. On 25 March 2019, Nanhai Canmanage entered into the Capital Injection Agreement with Nanhai Lianhua, Nanhai Chemical and Tiannuo in relation to the Capital Injection on the basis of their respective shareholding proportion in Tiannuo. Pursuant to the Capital Injection Agreement, Nanhai Canmanage has agreed to inject an amount of RMB40,000,000 (equivalent to approximately HK$46,760,000) to the capital of Tiannuo. Upon completion of the Capital Injection, the percentage shareholding interest of Nanhai Canmanage, Nanhai Lianhua and Nanhai Chemical in Nanhai Canmanage will remain unchanged at 49%, 2% and 49% respectively. Further details of the Capital Injection is set out in the Group's announcement dated 25 March 2019.

FINANCIAL POSITION AND ANALYSIS

As at 31 December 2018, the Group had total assets of HK$3,460,537,000 (31 December 2017: HK$2,277,412,000), total liabilities of HK$2,129,217,000 (31 December 2017: HK$1,099,553,000), gearing ratio (being total liabilities divided by total assets) of 61.5% (31 December 2017: 48.3%), net asset of HK$1,331,320,000 (31 December 2017: HK$1,177,859,000) and equity attributable to owners of the Company per share of HK58.00 cents (31 December 2017: HK59.58 cents).

The Group had net current assets of HK$212,713,000 (31 December 2017: HK$244,777,000), current ratio (being current assets divided by current liabilities) of approximately 1.15 times (31 December 2017: 1.32 times) and cash at bank and on hand of HK$1,221,671,000 (31 December 2017: HK$886,861,000), which is sufficient for the capital requirements of future operation and new projects or business development of the Group.

PLEDGE OF ASSETS

For the year ended 31 December 2018, properties of the Group for own use and investment bank deposit and finance lease receivables with carrying value of approximately HK$899,816,000 were pledged to banks as the security for the bank borrowings granted to the Group (31 December 2017: properties of the Group for own use and investment with carrying value of approximately HK$387,660,000 were pledged to banks).

FOREIGN EXCHANGE EXPOSURE

The Group's main operating income and costs are denominated in RMB. In the business operation of the Group, foreign exchange fluctuation of income and costs would be mutually offset. However, as the Hong Kong-based Group has invested substantial borrowings into domestic wholly-owned subsidiaries in the Mainland whilst owning substantial RMB-denominated monetary assets, an exchange gain or loss will be recorded due to the appreciation or depreciation of RMB. It is expected that an increase or a decrease of approximately HK$8,104,000 in the Group's profit for the year would be resulted if the exchange rate of RMB to HK dollars appreciates or depreciates by 5%. Over the past years, RMB constantly showed an upward trend and gradually became stable in the second half of 2008. Nevertheless, RMB started to fluctuate upward and downward repeatedly in recent years. With the Sino-US trade war during this year, the exchange rate of RMB against USD dropped sharply. As the Group had invested registered capital of US$70,000,000 into Sino Rock Tyco at the end of last year and the amount had not been exchanged into RMB then, the Group converted most of this amount from USD to RMB when the exchange rate of RMB became relatively stable during the second half of the year, which not fully offset the Group's loss from RMB depreciation arising from its holding of a large amount of RMB-denominated currency assets and investments, but also contributed an exchange gain of HK$5,788,000, though representing a decrease in exchange gain as compared to last year. However, the Board believes that RMB will be immensely affected by any change in the Sino-US trade war in the short term. A turnaround in the Sino-US trade war may lead to a rapid rebound, therefore the trend of RMB is unforeseeable in the short term. Though in the long run, it is expected that RMB will become stable and will not expose the Group under significant and long term adverse foreign exchange risk. Accordingly, it is not necessary for the Group to hedge against foreign exchange risk at the moment.

OUTLOOK

During the course of transformation and upgrade in the past few years, with industry experience accumulated therefrom, the Group has basically confirmed its development focus and direction through continuous exploration and survey and steady investment. Looking ahead, the Group will proactively seize opportunities for market development and continue efforts to adjust and optimize its business, and will develop the business towards industrial park/property development and investment, finance, technology and wellness elderly care sectors. In respect of the property development and investment, by capitalizing on the Group's established solid position in the property development and investment segments, the Group will continue to make use of its accumulated experience in such areas to develop the industrial park in Danzao Town, Nanhai District, Foshan City, the PRC, which is designed to house various development projects to be leased to third parties, including the main and spare production plants, pilot base, research and development centre and ancillary facilities for new energy vehicles as well as staff quarters. In respect of the finance sector, the Group will further develop the financial leasing business, and initially intends to focus on business areas including public utilities projects, environmental protection and energy-saving projects, new energy projects and tele-communication projects. In respect of the technology sector, taking advantages of the opportunity arising from the new smart city construction plan in Nanhai District, the Group actively research on and develop the Big Data industry projects. Regarding the wellness elderly care sector, the Group will further extend the coverage to other wellness elderly care services, and will continue to develop towards the goal of establishing a 3-tier elderly care system comprising institutes, communities and households in Nanhai District based on the foundation of the Smart Elderly Care Services Platform. Meanwhile, the Group will also, through its joint ventures and associates, participate and invest in power generation, civil explosives, financial leasing and other high-growth industries in the PRC. With the aforesaid development plans, the Group will be able to expand its business coverage and gradually achieve the goal of increasing and maintaining stable returns for shareholders.

EMPLOYEES

The total number of employees of the Group is approximately 183 (31 December 2017: 113). The remuneration of the employees of the Group is determined on the basis of performance and responsibility of the employees. The Group provides education allowances to the employees.

DIVIDEND

The Directors resolved not to recommend or declare payment of any dividend for the year ended 31 December 2018 (2017: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

The Company puts great emphasis on corporate governance which is reviewed and strengthened on a continued basis. The Company has adopted all the code provisions under the Corporate Governance Code ("the Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practice. For the year ended 31 December 2018, the Company has complied with all the code provisions under the Code.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer ("the Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors. On specific enquiry made, all Directors have confirmed that, in respect of the year ended 31 December 2018, they have complied with the required standard as set out in the Model Code.

AUDIT COMMITTEE

The audit committee comprising the three independent non-executive Directors of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial reporting matters including a general review of the audited consolidated financial statements for the year ended 31 December 2018.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on this announcement.

By Order of the Board of
China Investments Holdings Limited
He Xiangming
Chairman

Hong Kong, 26 March 2019

As at the date of this announcement, the Board consists of five executive Directors, namely Mr. HE Xiangming (Chairman), Mr. LIN Pingwu (Managing Director), Mr. YOU Guang Wu (Director), Mr. HUANG Zhihe (Deputy Managing Director) and Ms. WANG Xin (Deputy Managing Director) and three independent non-executive Directors, namely Mr. CHAN Kwok Wai, Mr. CHEN Da Cheng and Mr. DENG Hong Ping.