China Lesso Group Holdings Limited is a leading large-scale industrial group that manufactures building materials and interior decoration products in mainland China. It is listed on the main board of The Stock Exchange of Hong Kong Limited (stock name: China Lesso, stock code: 2128). China Lesso is one of the constituent stocks of the Hang Seng Composite Index – MidCap and is covered by Hong Kong Stock Exchanges Stock Connect. The Group provides over 10,000 types of quality products, including plastic pipes piping system, sanitary ware products, integrated kitchens, systems of doors and windows, decorative plates, fire-fighting equipment, and sanitary materials, etc. They are widely applied to fields such as interior decoration, water supply, drainage, power

CONTENTS

Financial Highlights	2	Ì Ü
Five-year Financial Summary	3	¸ Ì ?
Chairman s Statement	4	ô' S ª
Biographical Details of Directors and Senior Management	7	Ł + ¿ ÷t M # [p 5 Ý
Corporate Governance Report	14	8 M 7 S
Management Discussion and Analysis	4	M # 4 À ¿ –
Directors Report	61	Ł + 6 S
Independent Auditor s Report	76	ø m Ł p “ S
Consolidated Statement of Profit or Loss and Other Comprehensive Income	86	] ¥ & B ¿ I ü & ×B
Consolidated Statement of Financial Position	88	] ¥ Ì K 1
Consolidated Statement of Changes in Equity	9	] ¥ ˘ B
Consolidated Statement of Cash Flows	92	] ¥ $ t
Notes to Consolidated Financial Statements	94	] ¥ Ì W
Summary of Investment Properties	231	‡ J 8 ?
Glossary	234	Z
Corporate Information	237	fi ! Ø

For the year ended 31 December (RMB)	Ú 12 Ü31 Úß¸ [O ˇ w '		
Revenue	×]	20,360,000	16.6%
Gross profit	ª ;	5,316,783	17.1%
Finance costs	D ÓI	229,309	81.2%
EBITDA	ð„ ü– ¯ ˆ fi ;	3,830,717	15.1%
Profit before tax	ðü ˆ P ;	2,954,586	9.5%
Profit for the year	¸ « P ;	2,265,807	8.0%
Profit attributable to owners of the Company	I fi ! „ Þ[— & P ;	2,293,055	8.7%
As at 31 December (RMB)	ı 12 Ü31 Ú[O ˇ w '		
Total assets	* < X	27,973,625	23.8%
Cash and bank deposits	$ ¿ Õ À	4,452,370	44.9%
Total debts[(a)]	À < X [(a)]	8,319,375	41.0%
Net debt[(b)]	À X [(b)]	3,867,005	36.5%
Total equity	ˇ B < X	13,783,491	9.4%
Share information (RMB)	p Ø[O ˇ		
Earnings per share[(c)]	° p fi ; [(c)]		
Basic	Ñ? I	0.74	8.1%
Diluted	Ñ¯ [	0.74	8.1%
Dividend per share (HK cents)	° p p „ ¥		
Interim dividend	Ñ p „		
Proposed final dividend	ÑÝ| K p „	18	
Total dividend	Ñ< p „	18	66.7%
Equity attributable to owners of the Company per share	° p I fi ! „ Þ[— & ˇ B	4.35	9.7%
Financial ratios	Ì â		
Gearing Ratio (%)	* À (%)	37.6	
Net debt to equity[(d)] (%)	À X ` ˇ B â [(d)](%)	28.1	
Interest cover[(e)] (times)	; „ fi ; â [(e)] 4	16.71	

Note:

(a) Represented total borrowings.

(b) Represented total debts less cash and bank deposits.

(c) Details of the calculations of the basic and diluted earnings per share of the Company are set out in note 11 to consolidated financial statements.

(d) Represented net debt divided by total equity.

(e) Represented EBITDA divided by finance costs.

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In 2018, the Chinese government was determined to curb property speculation by intensively promulgating regulatory policies in real estate market. As a result, the investment sentiment in the domestic real estate market became conservative and the growth rate of the industry declined. According to the National Bureau of Statistics, comparing with the same period of last year, the growth rate of floor area sold of national commercial housing dropped by 6.4% while the transaction volume growth rate of commercial housing decreased by 1.5%. The building materials and interior decoration products industries continued to capitalise on the opportunities brought by the intensive implementation of the national urbanisation policy, but such positive drivers were impeded by the market environment. Nevertheless, the Group will continue to enhance its competitiveness and optimise its product portfolio to meet customers demand for quality building materials and household products. The Group remains confident in the future development of this business segment and expects to deliver synergies among its businesses in the long run.

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The Chinese government has continued to actively implement environmental protection policies and encouraged the development of green industries in recent years. During the year under review, the Group intensified environmental protection strategies, continuously invested resources in technological innovation and development, and established upstream and downstream industrial chains with the pipe products and fittings as the core; thus achieving a synergistic effect with the business for plastic piping systems. The Group strives to become a one-stop environmental service provider in China, creating a green lifestyle for residents and fulfilling its corporate social responsibility in a proactive manner.

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The Group began the Lesso Home business from 2017, with an aim to assist Chinese manufacturers to deliver building materials, home furnishings and other consumer products to target customers and consumers around the globe directly, and subsequently to expand the growth for their brands. The Group currently has 12 projects at different stages of development in the United States, Canada, Australia, Thailand, United Arab Emirates and other countries. In the future, the Group will strive to develop Lesso Home into the world s leading sales platform for building materials, home furnishings and other consumer products, and turn its business into a new growth driver for the Group in the long term.

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Mr. Wong Luen Hei, aged 56, is the founder of the Group, the chairman of the Company and was appointed as an executive director of the Company on 5 November 2009. He is also a director of various companies within the Group. He is primarily responsible for the Group s overall strategic planning and business management. Mr. Wong has approximately 22 years of experience in plastic pipe operations and management. He served as the chairman in Shunde Liansu Industrial from December 1996 to April 1999 and was awarded Outstanding Private Entrepreneur of Shunde by Shunde People s Government of Foshan in 2003. Mr. Wong has been a permanent honorary president of Foshan Shunde Longjiang General Chamber of Commerce since 2018. Mr. Wong is the spouse of Ms. Zuo Xiaoping and the brother-in-law of Mr. Zuo Manlun. Mr. Wong is the founder of a trust which holds the entire issued share capital of Xi Xi Development and New Fortune, the controlling shareholders of the Company.

Mr. Zuo Manlun, aged 46, is the chief executive of the Group and was appointed as an executive director of the Company on 27 February 2010. He is also a director/general manager/supervisor of various companies within the Group. He is primarily responsible for the management of the daily business operations of the Group. Mr. Zuo has approximately 19 years of experience in the plastic pipe industry. Mr. Zuo joined the Group in December 1999 and has held various positions in operation management since joining the Group. Mr. Zuo is currently a non-executive director of Xingfa Aluminium Holdings Limited (stock code: 98), which is listed on the Stock Exchange. Mr. Zuo won several awards including Outstanding Worker of the Plastic Industry in the PRC by China Plastics Processing Industry Association in 2009. Mr. Zuo is the brother-in-law of Mr. Wong Luen Hei and the younger brother of Ms. Zuo Xiaoping.

Ms. Zuo Xiaoping, aged 52, is a vice president of the Group and was appointed as an executive director of the Company on 27 February 2010. She is also a director/supervisor of various companies within the Group. She is primarily responsible for procurement control and logistics management of the Group. Ms. Zuo has approximately 22 years of experience in the plastic pipe industry. Ms. Zuo served as a director of Shunde Liansu Industrial from December 1996. In 1999, upon establishing the Group together with Mr. Wong Luen Hei, she held various positions in procurement. Ms. Zuo is the spouse of Mr. Wong Luen Hei and the elder sister of Mr. Zuo Manlun.

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Mr. Lai Zhiqiang, aged 52, is a vice president of the Group and was appointed as an executive director of the Company on 27 February 2010. He is also a director of various companies within the Group. He is primarily responsible for the production and technical management of the Group. Mr. Lai has approximately 22 years of experience in the plastic pipe industry and served as a workshop manager of Shunde Liansu Industrial from December 1996 to November 1999. Mr. Lai joined the Group in December 1999 and has held various positions in production management since joining the Group.

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Mr. Kong Zhaocong, aged 53, is a vice president of the Group and was appointed as an executive director of the Company on 27 February 2010. He is also a director/general manager/ supervisor of various companies within the Group. Mr. Kong is primarily responsible for the China s sales of the Group and has approximately 25 years of experience in the plastic pipe industry. Mr. Kong joined the Group in December 1999 and has held various positions in production management and sales since joining the Group. Prior to joining the Group, Mr. Kong served as a factory manager at Foshan City Dongjian Plastic Materials Factory from March 1993 to January 1999 and served as a manager in the production department of Shunde Liansu Industrial from January 1999 to November 1999.

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Mr. Chen Guonan, aged 51, is a vice president of the Group and was appointed as an executive director of the Company on 27 February 2010. He is also a director of various companies within the Group. He is primarily responsible for the management and production of certain companies in the Group. Mr. Chen has approximately 29 years of experience in the plastic pipe industry. Mr. Chen joined the Group in December 1999 and has held various positions in production management and engineering since joining the Group. Prior to joining the Group, Mr. Chen was a manufacturing engineer in the technology department at Guangdong Province Zhaoqing Gaojiang Plastic Products Co., Limited from July 1989 to July 1993. From July 1993 to September 1999, he was a deputy factory manager at Foshan City Dongjian Plastic Materials Factory. Mr. Chen served as a manager in the production department of Shunde Liansu Industrial from September 1999 to November 1999. Mr. Chen has been a deputy secretary general of Plastic Pipe Special Committee of China Plastics Processing Industry Association since 2005. Mr. Chen obtained a bachelor s degree in polymer chemical from South China University of Technology in July 1989.

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INDEPENDENT NONE
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Ms. Lan Fang, aged 43, was appointed as an independent non-executive director of the Company on 1 January 2015. Ms. Lan has been the President of Guangdong Construction and Decoration Materials Association since March 2008 and the President of Guangdong Construction and Decoration Design Association since August 2014. Ms. Lan graduated from Guangdong University of Technology with a college diploma in June 1996 and then pursued further studies in the EMBA CEO training programme of Sun Yat-sen University and the business management CEO training programme of Tsinghua University. She worked as the chairman of the materials committee of Guangzhou Architecture & Decoration Association from February 1998 to October 2006. Ms. Lan has accumulated over 21 years of experience with respect to the administration of social organisation and in the industry of construction and decoration materials.

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Dr. Tao Zhigang, aged 53, was appointed as an independent non-executive director of the Company on 1 September 2015. Dr. Tao is Professor of Economics and Strategy in the Faculty of Business and Economics and the director of the Institute for China and Global Development, the University of Hong Kong. Prior to joining the University of Hong Kong in 1998, he taught at Hong Kong University of Science and Technology from 1992 to 1998. Dr. Tao received his B.Sc. in management science from Fudan University in 1986, and PhD in economics from Princeton University in 1992. Dr. Tao is currently an independent non-executive director of Huadian Fuxin Energy Corporation Limited (stock code: 816), which is listed on the Stock Exchange. Dr. Tao is senior fellow at Tsinghua University s National Center for Economic Research, senior fellow at Tsinghua University s Center for China in the World Economy, and special-term professor at Fudan University School of Management. He is also co-director of the Asia-Pacific Competitiveness Program of Hong Kong Institute of Economics and Business Strategy.

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INDEPENDENT NONE
(Continued)

Mr. Cheng Dickson, aged 49, was appointed as an independent non-executive director of the Company on 11 July 2018. Mr. Cheng is currently the managing director and head of the investment banking department of Shanggu Securities Limited. He acts as its responsible officer and holds licences for types 1, 4 and 6 of regulated activities under the SFO.

Prior thereto, Mr. Cheng worked in J.P. Morgan between August 1994 and February 1996. In December 1995, he was promoted to TCRM professional in its global markets department. Between March 1996 and June 2000, Mr. Cheng worked in the securities lending department of The Bank of New York, Hong Kong Branch. From July 2000 to August 2002, Mr. Cheng worked as an assistant vice president in the equity capital markets division of BOCI Asia Limited. In August 2002, Mr. Cheng joined ICEA Capital Limited and worked in its investment banking division until October 2005 when he was a senior vice president. Mr. Cheng was an executive director at the respective capital markets department in the investment banking division of Mitsubishi UFJ Securities (HK) Capital, Limited and Mizuho Securities Asia Limited from November 2005 to October 2016. Mr. Cheng has more than 23 years of experience in investment banking industry. Mr. Cheng obtained a bachelor s degree in arts majoring in economics from University of Toronto in June 1994 and a master of applied finance degree majoring in corporate finance from Macquarie University of Australia in November 2000.

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SENIOR MANAGEMENT

Mr. Liu Guanggen, aged 37, is the chief financial officer of the Group and is responsible for the Group s overall financial and accounting affairs. Mr. Liu joined the Group in November 2008. Prior to this, he worked as a finance manager in The Industrial and Commercial Bank of China, Shunde Branch from 2004 to 2006, and was a sub-branch manager of The Industrial and Commercial Bank of China, Foshan Shunde Haiqinwan Sub-Branch from 2007 to 2008. Mr. Liu completed a diploma in finance from Southwestern University of Finance and Economics in September 2005, a program in laws at Guangdong University of Business Studies from March 2007 to January 2010, as well as obtaining a master degree in engineering from Chongqing University upon the completion of courses for the master degree in software engineering (specialised in financial informatisation) in June 2014. He is an associate member of the Association of International Accountants.

Mr. Kwan Chi Wai Samuel, aged 41, is the company secretary of the Company. Mr. Kwan has more than 10 years of experience in accounting, auditing and finance. Mr. Kwan joined the Group in June 2010 as secretary on a full time basis. Prior to joining the Group, Mr. Kwan worked in CWCC Certified Public Accountants from March 2000 to November 2004, PricewaterhouseCoopers from November 2004 to October 2007 and Deloitte Touche Tohmatsu from November 2007 to September 2009. The latter two firms are amongst the biggest international accounting firms. Mr. Kwan graduated with a bachelor s degree in Commerce from Deakin University of Australia in September 2000 and obtained a master degree in business administration from University of South Australia in August 2012. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and member of the CPA Australia.

CORPORATE GOVERNANCE PRACTICES

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China Lesso is always committed to maintaining high standards of corporate governance practices and business ethics of the Group. The Board believes in good corporate governance practices and business ethics which are essential for achieving sustainable development, establishing investors confidence in the Company and safeguarding and enhancing the interests of the Shareholders.

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In pursuit of good and high standards of corporate governance practices, the Board reviews the corporate governance practices of the Company from time to time so as to meet the expectations of the Shareholders for continual improvement, and fulfill its commitment of pursuing excellent corporate governance. In the opinion of the directors, the Company complied with all the applicable code provisions of the Code during the year, except that an independent non-executive director was unable to attend the annual general meeting (AGM) of the Company held on 25 May 2018 (as provided for under the Code A.6.7) due to other business engagements.

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MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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The Company has adopted the Model Code as the code governing securities transactions by directors of the Company. Having made specific enquiry to the directors, all of them confirmed that they have complied with the required standards as set out in the Model Code throughout the year. The Model Code is also applicable to other specific senior management of the Company. The directors and chief executive s interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations are disclosed in the Directors Report on page 66.

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BOARD

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THE COMPOSITION OF THE BOARD

The Board currently comprises 15 directors, including 10 executive directors and 5 independent non-executive directors.

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THE COMPOSITION OF THE BOARD (Continued)

Pursuant to the articles of association of the Company (the Articles), any director appointed to fill a casual vacancy or as an addition to the existing directors shall hold office only until the next AGM of the Company and shall then be eligible for re-election at that meeting. In addition, at every AGM of the Company, not less than one-third of the directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement by rotation at least once every three years. Apart from retirement by rotation pursuant to the Articles, each non-executive director has a term of within three years. Therefore, no director will remain in office for a term of more than three years. For details relating to any relationship among the members of the Board,

BOARD (Continued)

CHAIRMAN AND CHIEF EXECUTIVE

To segregate the management of the Board from the daily management and business operations of the Group effectively, the post of chairman and the chief executive are held by Mr. Wong Luen Hei and Mr. Zuo Manlun, respectively. One of the important duties of the chairman is to lead the Board to ensure the Board always acts in the best interests of the Group. The chairman shall ensure the effective operation of the Board and fully perform his/her duties and ensure all important issues are discussed at Board meetings in a timely manner. All directors will be consulted for any proposed items in the agenda. The chairman has delegated the drafting of the agenda of each Board meeting to the chief executive and the company secretary. With the assistance of the chief executive and the company secretary, the chairman aims to ensure all directors are adequately briefed on any issues being put forward at a Board meeting and receive sufficient and reliable information in a timely manner.

INDEPENDENT NONE

The independent non-executive directors provide various expertise and experiences, and maintain balance of interest to safeguard the interests of the Group and the Shareholders. They participate in Board meetings and committee meetings and make independent judgements on issues related to the Group s strategies, performance, interest conflicts and management process so as to ensure the interests of all Shareholders are properly considered.

The Company has received annual confirmation made by each of the independent non-executive directors under Rule 3.13 of the Listing Rules regarding their independence. The Company regarded all independent non-executive directors are independent in accordance with Rule 3.13 of the Listing Rules.

DUTIES OF THE BOARD

The Board shoulders the responsibility of providing effective, responsible and reliable leadership to the Group. The Board exercises its rights in management decision on the aspects of the Company s development strategy, management structure, investment and financing, planning, financial control and personnel in accordance with the requirements of the Code.

DUTIES OF THE BOARD (Continued) Ł + 6 “

The Company appointed Ernst & Young as the Company s independent auditor to review the interim results for the six months ended 30 June 2018 and to audit the annual results for the year ended 31 December 2018. The directors of the Company acknowledge their responsibility for preparing the consolidated financial statements included in the annual report and the interim report. In preparing the consolidated financial statements for the year ended 31 December 2018, the directors have selected and applied appropriate accounting policies and have made prudent and reasonable judgements and estimates in accordance with Hong Kong Financial Reporting Standards.

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The declaration of reporting responsibility issued by the external auditor of the Company on the Company s consolidated financial statements is set out in the Independent Auditor s Report on pages 76 to 85.

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CORPORATE GOVERNANCE FUNCTIONS 8 M 7

The Board is responsible for performing corporate governance duties including:

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(a) to develop and review the Company s policies and practices on corporate governance;

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(b) to review and monitor the training and continuous professional development of directors and senior management;

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(c) to review and monitor the Company s policies and practices on compliance with legal and regulatory requirements;

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(d) to review of the effectiveness of the Company s internal control system;

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(e) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and

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(f) to review the Company s compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

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The Board has performed the above activities during 2018.

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BOARD (Continued) Ł + 6

BOARD AND GENERAL MEETINGS Ł + 6 6 D ¿ p } 6

For the year ended 31 December 2018, the Board convened eight meetings to review operating performance, funding requirement and recent market conditions. The Board also considered and approved the Group s overall strategy, audited annual results for the year ended 31 December 2017 and reviewed interim results for the six months ended 30 June 2018.

Ú 2018 ¸ 12 Ü 31 Úß¸ d Ł + 6 ^ª 6 D d ł 2 a 6 $ e Œ ¸ ¿ ð 9 1 f Ł + 6 u ýG q › X I « ˘ + e Ú 2017 ¸ 12 Ü 31 Úß¸ Y ¾ 2 Ł ¸ 8 6 ¿ Ú 2018 ¸ 6 Ü 30 Úß‹ H ÜY ¾ 2 a 8 6 f

The chairman of the Board and the chairman of the audit committee, the nomination committee and the remuneration committee, attended the AGM of the Company held on 25 May 2018.

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The table below sets out the attendance of all members of the Board at the meetings held in 2018:

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Executive directors	B Ł +					
Wong Luen Hei	» L $	1/1	8/8		2/2	2/2
Zuo Manlun	8 P	1/1	7/8		1/2	1/2
Zuo Xiaoping	8 i 1	1/1	6/8			
Lai Zhiqiang	‘ v	1/1	8/8			
Kong Zhaocong	˘ K	1/1	8/8			
Chen Guonan	Ó7 Ì	1/1	8/8			
Lin Shaoquan	`	1/1	8/8			
Huang Guirong	» n ò	1/1	8/8			
Luo Jianfeng	fl /	1/1	8/8			
Lin Dewei[c]	C x [c]	1/1	8/8	1/1		
Independent nonexecutive directors	¢ B Ł +					
Wong Kwok Ho Jonathan	î 7 ·	1/1	4/8	2/2	2/2	2/2
Cheung Man Yu	u Ö`	1/1	8/8	2/2		2/2
Lan Fang	y	1/1	6/8		1/2	
Tao Zhigang[c]	x] [c]	0/1	8/8			
Cheng Dickson[c]	M - [c]		2/2	1/1		
Fung Pui Cheung[c]	„ C [c]	1/1	5/6	1/1	2/2	2/2

Note: W j

(a) Directors may attend meetings in person, by phone or through other means of video conference in accordance with the Articles.

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(b) There was no other general meeting held in 2018.

(b) ı 2018 ¸ « d ? Ì I üp } 6 X f

(c) The changes of the Board and Board Committees are set out under the section headed Change in Composition of Board and Board Committees on page 15.

(c) Ł + 6 ¿ Ł + p 6 Y Óp » 1 ı K 15 + Ł + 6 ¿ Ł + p 6 \ Ó » S • f

BOARD (Continued)

BOARD AND GENERAL MEETINGS (Continued)

The Company gives proper notices of Board meetings to the

BOARD (Continued) Ł + 6

TRAINING AND SUPPORT FOR DIRECTORS (Continued) Ł + C ¯ ¿ Õj
Apart from the above training offered by the Company, based on the training records provided to the Company by the directors, the directors also participated in the following trainings during 2018: ðY j _ I fi ! d 6 Y C ¯ . d ì ‰ Ł + £ ïYå+ C R aMŒUq5 D

		s
Executive directors	B Ł +	
Wong Luen Hei	» L $	A,C
Zuo Manlun	8 P	A,C
Zuo Xiaoping	8 i 1	A,C
Lai Zhiqiang	‘ v	A,C
Kong Zhaocong	˘ K	A,C
Chen Guonan	Ó7 Ì	A,C
Lin Shaoquan	·	A,C
Huang Guirong	» n ò	A,C
Luo Jianfeng	fl /	A,C
Lin Dewei	C ×	A,C
Independent nonexecutive directors	ø m ¢ B Ł +	
Wong Kwok Ho Jonathan	î 7 ·	A,C
Cheung Man Yu	u Ö`	A,C
Lan Fang	y	A,B,C
Tao Zhigang	×]	A,B,C
Cheng Dickson[a]	M - [a]	A,C
Fung Pui Cheung[b]	„ C [b]	A,C

Note:

A: attending seminars and/or conferences and/or forums

B: delivering talks at seminars and/or conferences and/or forums

C: reading information, newspapers, journals and materials relating to the responsibilities of directors, economy, fiscal, financial, investments and business of the Company

(a) Director who was appointed with effect from 11 July 2018.

(b) Director who resigned with effect from 11 July 2018.

BOARD COMMITTEES

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The Board has delegated various responsibilities to certain committees under its supervision, including the Company s audit committee (Audit Committee), remuneration committee (Remuneration Committee) and nomination committee (Nomination Committee) (collectively known as Board Committees). Board Committees can engage intermediaries to provide professional opinions and the reasonable expenses incurred as a result are borne by the Company.

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AUDIT COMMITTEE

2 Ł p 6

The Audit Committee comprises four members, namely Dr. Tao Zhigang (chairman of the Audit Committee), Mr. Wong Kwok Ho Jonathan, Mr. Cheung Man Yu and Mr. Cheng Dickson (all are independent non-executive directors). The major responsibility of the Audit Committee is to conduct independent and objective audit of the truth and accuracy of the Group s economic operation and financial activities, financial policies, financial procedures, risk management, internal control, external audit, internal audit, financial information reporting and financial data and assist the Board in discharging its relevant duties.

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The Audit Committee shall convene at least two meetings each year. In 2018, the Audit Committee convened two meetings. The attendance record of the meetings is set out on a named basis on page 18.

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The following is a summary of work performed by the Audit Committee during 2018:

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- review of the annual report and the annual results announcement for the yearn-1.4d 31 December 2017, with a recommendation to the Board for approval;

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- review of Ernst & Young s confirmation of independence and its report for the Audit Committee for the yearn-1.4d 31 December 2017, with a recommendation to the Board for the re-appointment of Ernst & Young at the 2018 AGM;

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- review of continuing connected transactions;

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- review of the Group internal audit reports;

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BOARD COMMITTEES (Continued) Ł + p 6

NOMINATION COMMITTEE (Continued) d/ p 6

In the determination of the suitability of a candidate, the Nomination Committee shall consider the potential contribution such candidate can bring to the Board in terms of his or her qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity etc. The Nomination Committee shall consider the following selection criteria and such other factors that it may consider appropriate for a position on the Board, including but not limited to: (a) attributes complementary to the Board, (b) business experience, board expertise and skills, (c) availability, (d) motivation, (e) integrity, (f) independence and (g) diversity (in all aspects).

fl Ô I o [J I G ¥ Ûd d/ p 6 † ýG I o [fl Ýe ƒ e¾ e ø m Ì e¸ g e Ö• e G ˜ ¿ Ì 9 µ' • Ù& Ł + 6 m 8 Y fl ˝ f d/ p 6 † ýG h 1 o _ ˇ ¿ I ' G ¥ Ł + 6 Y I ü“ o d < (" ji (a) ª ¥ Ł + 6 Y $ ^ e (b) 8 ¾ e Ł + 6 Y 8] ˇ ¿ ƒ e (c) Û e(d) ô Ì e (e) ƒ e(f) ø m Ì ¿ (g) µ' • Ù f

For the appointment of new and replacement directors, if the Board determines that an additional or replacement director is required, it will deploy multiple channels for identifying suitable director candidates, including referral from directors, shareholders, management, advisors of the Company and executive search firms. Upon compilation and interview of the list of potential candidates, the Nomination Committee will make recommendation to the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable director candidate for appointment.

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For the re-election of directors, where a retiring director, being eligible, offers himself for re-election, the Board shall consider and, if consider appropriate, recommend such retiring director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.

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For directors nominated by shareholders, such nominating shareholder must follow the Procedures for shareholder(s) of the Company proposing a person for election as a director which is available on the Company s website.

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In any event, the Board shall ensure that the nomination, re-election and/or appointment of the directors shall be conducted in compliance with the Listing Rules, the memorandum and articles of association of the Company and all other applicable laws, rules and regulations.

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For further details, please refer to the nomination policy that is available on the Company s website.

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BOARD COMMITTEES (Continued)

NOMINATION COMMITTEE (Continued)

The Nomination Committee shall convene at least one meeting each year. In 2018, the Nomination Committee convened two meetings. The Nomination Committee reviewed the structure, size and composition of the Board, recommended the Board on the list of retiring directors for re-election at the AGM on 25 May 2018, and reviewed the independence of all independent non-executive directors. The Nomination Committee recommended the Board on re-designating Mr. Lin Dewei as an executive director and appointing Mr. Cheng Dickson as an independent non-executive director in accordance with the director nomination policy and Board diversity policy of the Company. The attendance record of the meeting is set out on a named basis on page 18.

BOARD DIVERSITY POLICY

The Board has adopted a Board diversity policy which sets out the approach to achieve diversity on the Board. The Board diversity policy is available on the website of the Company.

The Company recognises that increasing diversity at the Board level will support the attainment of the Company s strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. The Nomination Committee will review the Board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this report, the Board comprises 15 directors. Two of them are females. One third of the Board members are independent non-executive directors, thereby promoting critical review and control of the management process. The composition of the Board reflects the necessary balance of skills, professional experience and knowledge for effective leadership of the Company.

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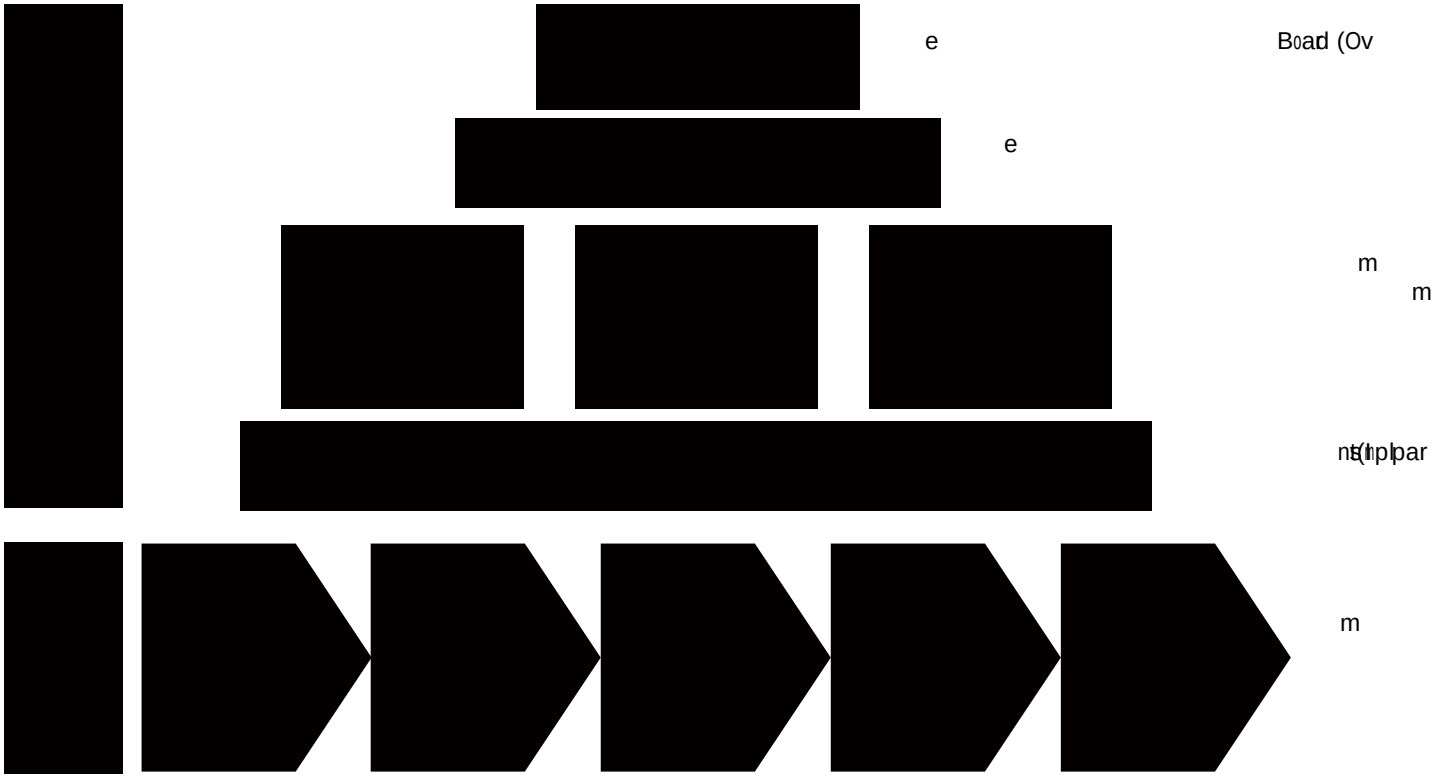
RISK MANAGEMENT ORGANISATION SYSTEM

The Group has established a comprehensive organisation structure to manage the risks encountered by the Group. The risk management structure of China Lesso comprised of two key factors: risk management structure and risk management program.



RISK MANAGEMENT ORGANISATION SYSTEM , M # \ ß
(Continued)

(A RISK MANAGEMENT STRUCTURE (A , M # V ô

Regulatory Organisation 9 Úô

The Board is responsible for the effectiveness of the overall risk management Ł + 6 1 &, M # * Y ÞÖÌ “

- determine the overall objective, risk appetites and risk tolerance for corporate risk management, and approve risk management strategies, major risk mitigation solutions and risk management measures; ‰ 8, M # < f z e, » e, d › X, M # + q }, £ àÙØ ł ¿, M # £ Di
- comprehend and manage each major risk faced by the enterprise and its existing management situations, and make effective risks management decisions; approve the decision-making standards and mechanisms regarding major operating decisions, major risks, major events and major business processes; q [e 8 & W Y ¢ ° }, ¿ l, M # $ K d ÞÖ S, Y Ô i › X } ¾ Ô e } , e } + q 8 t ß Y : Ùz _ — : ÙÚS i
- approve risk management report related to major decisions; and › X } Ô + ° Y, M # S i ¿
- approve the annual comprehensive risk management report. › X ¸ &, M # S f

Risk Management Organisation , M # Úô

The Audit Committee, the highest risk management organisation in the Company which is accountable to the Board 2 Ł p 6 d I fi ! ð ÷ 4 t Y, M # Úô d ` Ł + 6 “

- review the establishment and planning of the comprehensive risk management system; 2 D &, M # ß Y £ i
- review the proposal on the structure of the risk management organisations and their responsibilities; 2 D, M # \ Úô £ ~ ¿ l “ ÙØ i
- review the annual comprehensive risk management report and submit to the Board; 2 D (£ Ł + 6 d t ¸ &, M # S i
- review risk management strategies, major risk management solutions and risk management measures; and 2 D, M # + q }, M # ÔÙØ ł ¿, M # £ D i ¿
- review the annual risk management work plan. 2 D ¸ , M # * f

RISK MANAGEMENT ORGANISATION SYSTEM (Continued)

(A) RISK MANAGEMENT STRUCTURE (Continued)

Leading Risk Management Organisation

Risk management project team, the leading risk management organisation

- responsible for the establishment and amendment of the Company's risk management policies and mechanisms;
- formulate and submit annual risk management work plan to the Board and the Audit Committee for their review;
- regularly collect first-hand information regarding risk management, carry out risk assessment and discuss major risks as faced by the Company; and
- assess the soundness, reasonability and the effectiveness in implementing the risk management system, and review the annual comprehensive risk management report, risk management strategies and day-to-day risk management solutions.

Risk Implementation Organisation

Each functional department of the Company shall accept the coordination and monitoring carried out by the risk management project team

- implement the basic process in risk management;
- consider and propose decision-making standards or mechanisms regarding major operating decisions, major risks, major events and major business processes of the functional department;
- analyse and propose risk assessment report of the functional department;
- properly carry out risk management work of the functional department; and
- establish a comprehensive risk management process of the functional department.

RISK MANAGEMENT ORGANISATION SYSTEM , M # \ ß
(Continued)

(A RISK MANAGEMENT STRUCTURE (Continued) (A , M # V ô

Risk Supporting Organisation , Õ5 Úô

Internal control team « \

assist the Group s risk management work, and formulate internal control plan in accordance with the result of risk assessment;

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centrally organise or, together with related functional departments, design, amend or improve internal control documents in accordance with risk management solutions;

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assist the risk management project team to inspect, examine, evaluate and improve the implementation of risk management in each functional departments and operating units; and

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assist the timely rectification and improvements to existing deficiencies of each functional department based on the findings in the internal audit report.

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Internal audit department « 2 ¯

assist the Group s risk management work, and formulate internal audit plan in accordance with the result of risk assessment;

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carry out measures including walk-through test and analytical review to evaluate the effectiveness in risk management; and

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after carrying out internal audit, deliver the auditing results to internal control team and risk management project team timely.

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SUPERVISION AND ENHANCEMENT OF RISK MANAGEMENT

The Group has set up basic procedures that cover the whole process of risk management, connecting the channels of communication of risk management information along the reporting lines and among various departments and business units to ensure the timely, accurate and complete communication of information and this has laid the foundation for the supervision and enhancement of risk management.

The senior management of the Group, focusing on material risks, material matters and material decisions, important management matters and the business flow, supervises the work relating to the first-hand information collection for risk management, risk assessment, risk management strategies, critical control activities and the implementation of risk management solutions. The risk management project team carries out an annual review and examination on the implementation of the works on risk management by different departments and business units and its effectiveness for the year, assesses risk management strategies and evaluates inter-departmental risk management solutions and business units risk management solutions, proposes suggestions for adjustments and improvements and issues evaluation and recommendation reports which will be sent to the relevant senior management in a timely manner.

MATERIAL RISKS THE GROUP MAY FACE

In 2018, during the course of business planning, we identified the material risks that the Group may face which include macro-economic risks, risks of inappropriate strategies for market competition, risks of the fluctuation of raw materials price, risks of adjustments of policies in relation to the environmental protection, economy and industry.

The potential risks of macro-economic risks arise from the effects of macro-economy s volatility and the pressure of inflation. The Group s corresponding measures on risk management include reviewing the management strategies and mechanism for macro-economic risks; reviewing the relevant mechanism on the collection of intelligence about the changes in the external macro-economic environment; clearly defining the macro-economic risk analysis session; analysing, reviewing, adjusting and improving the strategies for managing macro-economic risks in future.

MATERIAL RISKS THE GROUP MAY FACE (Continued)

The potential risks of inappropriate strategies for market competition arise from the risks involved in the formulation of competition strategies and risks involved in the collection of clients information. The Group s risk management measures include reviewing the management mechanism for market competition strategies; analysing the Company s position in market competition, reviewing the corresponding market competition strategies; and timely devising and reviewing the management strategies in response to the changes in the market competition environment and submitting report thereon to management; collecting the market competition information of new products and offering suggestions on competition strategies.

The potential risks of the fluctuation of raw materials price arise because the price of key raw materials purchased by the Company is easily affected by the shortfall of refining capabilities, changes in manufacturers power and labour cost structure, changes in the price of resins made from coal and petrochemicals. The Group s risk management measures include clearly stating the risk management strategies and mechanism for the fluctuation of raw materials price in the relevant systems; collecting information in relation to the fluctuation of raw materials price and releasing such information internally through an established channel; regularly reporting and analysing the fluctuation of raw materials price; clearly defining the analysis session for the increased risks of fluctuation of raw materials price; analysing, reviewing, adjusting and improving the management strategies for the risks of fluctuation of raw materials price.

The potential risks of adjustments of policies in relation to the environmental protection, economy and industry arise from the risks of adjustments of environmental policies; risks of adjustments of urbanisation policies; risks of adjustments of construction projects of significant water works including water saving and water supplies; risks of adjustments of real estate policies. The Group s risk management measures include reviewing the management strategies and mechanism for risks involved in the adjustments of policies in relation to the environmental protection, economy and industry; collecting information in relation to changes in environmental protection, economy and industry policies and releasing such information internally through an established channel; reviewing the mechanism for monitoring and collecting the information on laws and regulations that affect the industry.

MANAGEMENT OF INSIDE INFORMATION

The Group has formulated a set of program of continuing obligations on information management and disclosure to formally regulate the monitoring of inside information that arises during the course of its current business development and has established the practice of delivering such information to shareholders, the media and analysts. When the Group handles the relevant matters, it will comply with Guidelines on Disclosure of Inside Information issued by Securities and Futures Commission and the related provisions issued by regulatory organisations and the Group has clearly stated that the unauthorised use of confidential or inside information is prohibited. The Group has a system of answering enquiries about the Group s matters by external parties, and has appointed and authorised the senior executives of the Group to act as the Company s spokesperson in response to enquiries on a particular area.

WHISTLEBLOWING POLICY

The Group has formulated a whistleblowing policy whereby employees can report any matters to the chairman or the Audit Committee secretly by sending electronic mails to the designated address or by phone without fear of being accused. Such matters may include misconduct, irregular conduct or fraud regarding financial matters and accounting practices. Any Shareholder or stakeholder can also report similar concerns in writing or verbally in confidence to the Audit Committee.

DIVIDENDS POLICY

The declaration, payment and amount of dividends will be subject to the Company s discretion. Dividends may be paid only out of its distributable reserves as permitted under the relevant laws. The Company has adopted a general dividend policy since the financial year ended 31 December 2018 of declaring and paying dividends

THE SHAREHOLDERS RIGHTS

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT SHAREHOLDERS MEETING There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision, as amended from time to time). However, pursuant to the Articles, the Shareholder(s) may request for the convening of extraordinary general meetings following the procedures below:	X

THE SHAREHOLDERS RIGHTS (Continued) p ˘ ;

CONVENING OF E AD PUTTING FORWARD PROPOSALS AT SHAREHOLDERS MEETING (Continued) p $X9}6¿ıp }6jd DØ

An extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days notice in writing and any other extraordinary general meeting shall be called by not less than 14 days notice in writing. The notice of the meeting shall specify the time, place, and agenda of the meeting, particulars of the resolutions to be considered and in the case of special business, the general nature of that business.

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Detailed procedures for Shareholders to propose a person for election as a director are available on the Company s website.

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PROCEDURES FOR DIRECTING THE SHAREHOLDERS ENQUIRIES TO THE BOARD £ Ł + 6 7 : p _ Y ß

The Shareholders may put forward their enquiries about the Company to the Board at the Company s principal place of business in Hong Kong or by email or through the Company s investor relations whose contact details are provided in the Corporate Information section of this report. In addition, the Shareholders can contact Computershare Hong Kong Investor Services Limited, the Company s branch share registrar, if they have any enquiries about their shareholdings and entitlements to dividend.

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RELATIONSHIP WITH INVESTORS AND THE SHAREHOLDERS ~ ‡ k ¿ p Y º •

The Company endeavours to maintain a high level of transparency in communication with the Shareholders and investors in general. Communication between the Company and the Shareholders is conducted through various channels, including interim and annual reports, information published on the websites of the Stock Exchange and the Company and general meetings. The Company encourages the Shareholders to attend the Company s general meetings. The Group s financial and other information is also published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.lesso.com).

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RELATIONSHIP WITH INVESTORS AND THE SHAREHOLDERS (Continued)

~ ‡ k ¿ p Y º •

The Company s senior management endeavours to maintain an open dialogue channel with the investment sector to ensure they have a thorough understanding of the Company and its operations and strategies. The Company has emphasised the importance of the function of investor relations, engaged a dedicated independent third party to maintain investor relations and conduct investor/ analyst meetings from time to time and led investors and analysts to visit its plants.

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As regards to investor relations, the Group will actively conduct activities related to investor relations in the future to strengthen its corporate responsibility so that global investors can have an adequate knowledge and understanding of the Company s operating strategy, financial performance and development prospects. The Company will actively develop and maintain close relationship with investors, analysts and media to achieve sound investor relations management.

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The Company applies the principle of a quiet period in its investor relations communications. During a quiet period, the Company does not comment on market prospects or factors affecting business and performance, or engage in discussion on events or trends related to the reporting period. The Company will not initiate any meeting or conference call with public in which these matters are discussed. A quiet period starts at 60 days or 30 days prior to the disclosure of annual results or interim results respectively, and lasts until the announcement of the annual results or the interim results.

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CONSTITUTIONAL DOCUMENTS

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During the year ended 31 December 2018, there was no change to the memorandum of association of the Company and Articles. The latest memorandum of association of the Company and Articles are available on the websites of the Company and the Stock Exchange.

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CORPORATE OVERVIEW

China Lesso is a leading large-scale industrial group which produces building materials and interior decoration products in mainland China. The Group established 23 advanced production bases in 16 regions within China and foreign countries to support a nationwide sales network. The Group strives to refine its strategic planning and sales network, offering a comprehensive range of diverse industrial products and quality sales services.

The Group continued to reinforce its leading position in the Chinese market, especially in Southern China, on the strength of its quality products, advanced technologies in research and development and a wide sales network. In recent years, the Group has been actively developing business in other local markets and overseas markets. While steadily upgrading the core business of plastic piping systems, the Group has also expanded the business of building materials and interior decoration products, including systems of doors and windows, sanitary ware products and integrated kitchens, thereby providing all-in-one solution that includes cost-effective building materials, interior decoration products and services for its customers.

The brand name LESSO of China Lesso represents the key elements of the Group s corporate culture: Link, Easiness, Safety, Sharing and Openness , and demonstrates its commitment to Creating a Relaxing Life for Dwellers . Since it was established over 30 years ago, China Lesso has been consistently consolidating its strong brand position and reputation, and has received quality accreditations from many national and professional institutions, including The Most Trusted Brand by Consumers in 2018 , Influential Brand in China s Interior Decoration Industry , Annual Innovative Brand in China s Interior Decoration Industry , Preferred Supplier of Top 500 Chinese Real Estate Development Enterprises in 2018 , China s Top 100 Companies Award , Award for Benchmark Company in Quality Manufacturing in Foshan , and Top 10 Companies Award in China s Light Industry and Plastics Industry . The Group s leading brand position reflects its strong capabilities to conduct product research and development and to ensure excellent product quality. This has laid a foundation for the Group s strong business presence in mainland China and overseas markets, and gave the impetus for further expansion of China Lesso s sales network.

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MARKET REVIEW

In 2018, the global economic environment was clouded by a number of uncertainties and underwent changes, such as heightened trade friction between China and the United States as well as turmoil in the European economy as a result of Brexit. Meanwhile, China s economic growth remained stable, and made continued progress due to policies such as supply side structural reform. During the year under review, China enhanced financial deleveraging efforts and adopted stringent macro-control measures on the real estate market, with an aim to continuously cool down

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MARKET REVIEW

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MARKET REVIEW (Continued)

2018 was a year when China made substantial progress of the Action Plan for Prevention and Control of Water Pollution. According to the requirements of the new Law on Prevention and Control of Water Pollution and the related planning under the 13th Five-year Plan of the country, various local governments of China have successively promulgated a series of pollution control policies, which will facilitate sewage control, improve the quality of water environment, enhance the municipal pipeline network and sewage disposal equipment, thus generating enormous market demand for the pipeline industry. In the Water Pollution Prevention and Control Plan for Major River Basins (2016 2020), according to the objective of the 13th Five-year Plan, the National Development and Reform Commission estimated investments in water pollution prevention and control projects in major river basins totalled around RMB700 billion. In particular, the investment in municipal sewage disposal and ancillary (s)0.5 wi0dDevelopmeny

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MARKET REVIEW (Continued)

Affected by the external economic environment, the building materials and interior decoration market entered a reshuffling period in 2018. During the reporting period, the Chinese government closely and successively launched a number of policies to stringently manage the real estate market from overheating, and the objectives of housing price stabilisation, rental management, leverage reduction, risk aversion, structural adjustment and expectation stabilisation were implemented seriously. According to the Notification of Inspection and Reformation Progress of CPC s Unit at the Ministry of Housing and Urban-Rural Development promulgated by the Ministry of Housing and Urban-Rural Development, the government insisted on its position of Housing is for living, not for speculating . Meanwhile, it was reiterated in the Central Economic Work Conference that a specific strategy for specific cities and specific instruction for specific category orientation will be adopted to develop a long term and effective mechanism for the healthy development of the real estate market. The growth pace of the real estate investment in 2018 slightly slowed down as a result of the policy, which in turn directly affected the performance of the building materials and interior decoration industry. The official implementation of the Environmental Protection Tax Law and the launch of a range of more stringent standard further standardised standards for the building materials and interior decoration industry and accelerated the pace of reshuffling of the industry. However, benefitting from the upgrade of consumption structure are the development of new retail sales, further progress in the supply side structural reform, advances in the new mode of urbanisation and the reorganisation of real estate industry, it will present new opportunities for the building materials and interior decoration industry.

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MARKET REVIEW (Continued)

In terms of the development of overseas market, China actively pursued exchanging development ideas and strengthening strategy connection with different countries and regions, in order to achieve cooperation and mutual winning and active promotion of a large number of Sino-foreign cooperation projects, such as China-Myanmar Economic Corridor and China-Europe Railway Express and Hambantota Port, etc. Meanwhile, significant progress has been made in the Belt and Road Initiative as it is continuously developed by China and cooperation has been commenced with over 50 countries during the year under review. The Chinese government continued to increase its support to various industries, thus resulting in overseas markets becoming solid business growth drivers for Chinese companies. The continued expansion of overseas cooperation projects and Belt and Road Initiative provide huge room for infrastructure construction, hence massive demand for the application of pipes and pipe fittings as well as building materials and equipment.

RESULTS AND PERFORMANCE

During the year under review, the Group continued its strict adherence to the national policy to continuously stabilise the plastic piping systems business, and actively develop the building materials and interior decoration business as well as environmental protection business at the same time, in order to broaden the revenue base for the Group. In 2018, benefitting from the Chinese economy which maintained medium to high growth rate and a huge demand for infrastructure construction, the revenue of China Lesso increased by 16.6% year on year to RMB23,734 million (2017: RMB20,360 million). During the year, on the back of the Group s economies of scale, continued enhancement of the production capacity of plant and the implementation of effective cost control, the gross profit rose by 17.1% year on year to RMB6,228 million (2017: RMB5,317 million), with gross profit margin remaining at a healthy level of 26.2% (2017: 26.1%).

RESULTS AND PERFORMANCE (Continued) 8 6 $

The table below sets out the breakdown of revenue by region for 2018 and 2017:

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Southern China	6 Ì		11,521	14.0%	56.6%
Southwestern China	Ì		2,115	20.1%	10.4%
Central China	6		2,231	27.5%	10.9%
Eastern China	6		1,224	3.4%	6.0%
Northern China	6		1,341	19.9%	6.6%
Northwestern China			746	27.9%	3.7%
Northeastern China			460	26.6%	2.3%
Outside China	7 / .		722	11.2%	3.5%

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BUSINESS REVIEW AND OUTLOOK (Continued) 8 « ¥ ¿ —

PLASTIC PIPING SYSTEMS (Continued) çØM 8 ß U

The Group also continued to boost sales volume of plastic pipes and pipe fittings such that sales volume of the plastic piping systems increased by 8.2% year on year. In terms of product materials, sales volume of PVC products increased by 6.3% year on year to 1,682,949 tonnes (2017: 1,582,697 tonnes), while that of non-PVC products increased by 15.0% year on year to 485,673 tonnes (2017: 422,143 tonnes). Revenue from sales of PVC products increased by 15.4% year on year to RMB13,660 million (2017: RMB11,840 million) while that of non-PVC products increased by 22.5% year on year to RMB7,683 million (2017: RMB6,270 million).

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The table below sets out the breakdown of revenue from plastic piping systems by region for 2018 and 2017:

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Southern China	6 Ì		10,160	15.6%		56.1%
Other than Southern China	6 Ì Ł . fi		7,672	20.2%		42.4%
Outside China	7 / .		278	35.4%		1.5%
Total	<		18,110	17.9%		100.0%

During the reporting period, as affected by global economic environment, geopolitical factors and exchange rate fluctuation, the average cost of raw materials posed an increasing upward pressure on prices. The Group strived to maintain its gross profit margin at a reasonable and healthy level by effectively controlling the costs of raw materials and production through economies of scale, massive

PLASTIC PIPING SYSTEMS (Continued)
The table below sets out the breakdown of average selling price,

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BUSINESS REVIEW AND OUTLOOK (Continued) 8 « ¥ ¿ —

PLASTIC PIPING SYSTEMS (Continued) çØM 8 ß U

With China s steady progress in its plan for development and the robust demand in the field of infrastructure construction, the application of plastic pipes and pipe fittings are further drivers which have contributed to the opportunities of market development. As a market leader, the Group will strive to expand the scope of applications of plastic pipes and pipe fittings to increase product sales, thereby maintaining its market leadership. Overall, the management is fully confident on the future development of the plastic piping systems business segment, and it is believed that the Group will continue to deliver a solid and satisfactory business performance.

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BUILDING MATERIALS AND INTERIOR DECORATION PRODUCTS ¿ ¢ * Ü

In 2018, the central government intensively promulgated specific regulations which exerted downward pressure on the growth in the real estate market, resulting in decline in the growth rates of floor area sold and sales value of national commercial housing. During the year, the Group s business of building materials and interior decoration products continued to be under pressure due to external unfavourable factors. Nevertheless, during the year, the Group successfully acquired several large-scale property corporate customers and received more new orders from existing customers. This business steadily developed, and generated income of RMB1,314 million (2017: RMB1,356 million), accounting for 5.6% of the Group s total revenue. The Group anticipated that the regulatory policies for real estate industry in 2019 will turn more accommodative than last year and believed that the business of building materials and interior decoration products will benefit from the positive impacts driven by the less stringent policy implementation. In 2019, the Group will strive to deliver continuous growth in revenue of the business of building materials and interior decoration products, and increase the revenue proportion of this business to the Group s total revenue. At the same time, the Group will strengthen its promotion to existing customers, actively engage new customers and increase sales by provision of diverse products.

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OTHERS

Environmental Protection

To cope with the Chinese government's environmental protection initiatives, the Group is actively expanding its environmental protection business. The Group is actively participating in municipal projects in various fields, including the construction of municipal sewage system, river treatment, soil restoration, underground pipeline gallery, sponge city, installation of integrated water purifiers. All these projects drove up the demand for plastic pipes and pipe fittings. However, the business development of environmental protection was slightly slower than expected, following the modification to the regulations governing the financing of public-private partnerships projects by the Chinese government. During the year, this business maintained a steady growth and recorded a revenue of RMB188 million (2017: RMB180 million). The Group aspires to become an one-stop environmental protection service provider and to enable people to live eco-friendly lives. The Group entered into a sale and purchase agreement to acquire 70% equity interest in Jiangsu Yongbao Environmental Technology Co., Ltd. (Jiangsu Yongbao) in October 2018 at a consideration of RMB392 million. Pursuant to the agreement, the minority shareholder of Jiangsu Yongbao has the right to sell the remaining 30% equity interest to the Group after three years from the date of acquisition. Jiangsu Yongbao has been engaging in the provision of hazardous waste, wastewater and exhaust fumes treatment services in China. The Group will continue to enhance its own technology, operation and quality, and fostering new growth drivers so as to achieve synergy between its environmental protection business and other businesses, and diversify its source of income.

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CONTINGENT LIABILITIES

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SIGNIFICANT INVESTMENTS (Continued) } ‡

FINANCIAL INVESTMENTS (Continued) D ‡

The Group will study the market and information of the prospective investees cautiously before it makes its investment decisions. The Group will also monitor the performance of its investees closely and regularly after purchases and will adjust the investment strategy in a cautious manner to minimise the impact of market volatility on the Group as and when necessary.

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INVESTMENT PROPERTIES ‡ J 8

As at 31 December 2018, the Group s investment properties were approximately RMB4,650 million. Increase in investment properties was mainly attributable to the capitalisation of construction costs on certain investment properties under development, gains arising from changes in the fair values of investment properties were approximately RMB312 million and the translation effects during the reporting period.

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Among these investment properties, the malls in Toronto, Canada are existing properties, the malls in Long Island, US and in Auburn district of Sydney, Australia are under refurbishment and the lands in Thailand and China are under development. Other properties are under rezoning or at the planning stage of development.

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Save as disclosed above, the Group did not have any significant investments as at 31 December 2018.

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CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT

Environmental protection is always a top priority of China Lesso. The Group has applied the ideas of going green and environmental protection throughout its product design, research and development, production and practical operations, and has adopted a variety of eco-friendly measures to minimise impact on the environment. On top of that, the Group supports the development of environmental protection industry and be committed to water treatment and the construction of sponge city. In addition, the Group establishes a complete environment management system, continues to improve criteria and measures concerning management of environmental protection, adopts a more simplified operating processes and energy-efficient hardware to reduce consumption of energy and water resources, increases benefits from resource consumption, reduces wastes emissions and enhances recycling.

The Group complies with laws and regulations governing air pollution, noise emission, solid waste discharge, and other environmental protection issues in China. The environmental management and compliance department work together with the legal department to ensure the Group will keep abreast of the latest development on environment-related laws and regulations.

COMMUNITY ENGAGEMENT

China Lesso takes an active part in community investment and public welfare and provides care for underprivileged groups in the society, aiming to apply its influence, bring positive changes to the communities where it operates, and maintain sound relations with the communities where it operates. Further, the Group actively supports the development of education in poverty-stricken areas and encourages its employees to serve the community as volunteers.

CORPORATE SOCIAL RESPONSIBILITY (Continued) 8 _ 6 “

EMPLOYEE

China Lesso recognises employees as one of its most important assets. In strict compliance with the applicable laws and regulations, the Group protects the legitimate rights and interests of its employees and fixes on its pay system based on the principles of legality, equity, fairness and encouragement so as to ensure an equal access to fair treatment and career opportunities. In addition, the Group has formulated its own health and safety policies, intensified safety training for employees, carried out routine safety patrols and actively pushed forward with relevant management system building for the purpose of creating a safe working environment for its employees, achieving a work-life balance for its employees through diverse activities.

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With great emphasis on career development of its employees, the Group is committed to creating diversified and comprehensive development channels for its employees by offering a series of training programs and regular lectures on safety and health through its own Lesso College.

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CUSTOMER AND SUPPLIER

China Lesso has strived to maintain uninterrupted communications with its suppliers for win-win results based on the procurement principles of fairness, openness and impartiality. The Group has put in place a Supplier Management Code and conducts regular performance evaluation of its suppliers. In addition, the Group has formulated a management system, a reporting process and set up a management team against malpractices in an effort to oversee behaviour of all its employees and protect the interests and rights

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Set out below is the report presented by the Board together with the Group s audited consolidated financial statements for the year ended 31 December 2018.

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PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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The principal activity of the Company is investment holding. The activities of the principal subsidiaries, associates and joint ventures are set out in notes 45, 17 and 18 respectively to consolidated financial statements. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing by the Group and an indication of likely future developments in the Group s business, the Group s environmental policies can be found in the Chairman s Statement , Corporate Governance Report and Management Discussion and Analysis . This discussion forms part of the Directors Report.

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RESULTS AND APPROPRIATIONS

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The Group s profit for the year ended 31 December 2018 and the Group s financial position at that date are set out in the consolidated financial statements on pages 86 to 230.

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The Board recommended the payment of a final dividend of HK20 cents per share for the year ended 31 December 2018 (the Proposed Final Dividend) to the Shareholders whose names appear on the register of members of the Company on Wednesday, 5 June 2019, subject to the Shareholders approval at the forthcoming annual general meeting of the Company to be held on Monday, 27 May 2019 (the 2019 AGM). It is expected that the Proposed Final Dividend will be paid on Monday, 17 June 2019.

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Including the interim dividend of HK10 cents per share (2017: nil) for the six months ended 30 June 2018 which was paid to the Shareholders on 28 September 2018, the total dividend for 2018 amounts to a total of HK30 cents per share (2017: HK18 cents per share), which represents a payout ratio of 32.7% (2017: 22.6%) of the profit attributable to the Shareholders for the year ended 31 December 2018.

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CLOSURE OF REGISTER OF MEMBERS

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(A) FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE 2019 AGM

The register of members of the Company will be closed from Wednesday, 22 May 2019 to Monday, 27 May 2019, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2019 AGM, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 21 May 2019.

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(B) FOR DETERMINING THE ENTITLEMENT TO THE PROPOSED FINAL DIVIDEND

The register of members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019, both dates inclusive, during this period no transfer of shares of the Company will be registered. In order to be eligible to receive the Proposed Final Dividend, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 31 May 2019.

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MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the total turnover attributable to the Group s five largest customers was less than 4.0% of the Group s total turnover. The total purchase attributable to the Group s five largest suppliers was 43.2% of the Group s total purchases and the purchases from the largest supplier included therein amounted to 31.6%.

At no time during the year did the directors, their close associates or any Shareholder (which to the knowledge of the directors own more than 5% of the Company s issued share capital) had any beneficial interests in these suppliers or customers referred to above.

CHARITABLE DONATIONS

During the year, the Group s charitable donations were approximately RMB5.13 million (2017: RMB4.63 million).

TAX

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

PREEMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company s articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS

Directors in office during the year and up to the date of this report are as follows:

EXECUTIVE	
Mr. Wong Luen Hei *(Chairman)*	
Mr. Zuo Manlun *(Chief executive)*	
Ms. Zuo Xiaoping	
Mr. Lai Zhiqiang	
Mr. Kong Zhaocong	
Mr. Chen Guonan	
Dr. Lin Shaoquan	
Mr. Huang Guirong	
Mr. Luo Jianfeng	
Mr. Lin Dewei	(re-designated from non-executive director to executive director on 11 July 2018)

INDEPENDENT NONE	
Mr. Wong Kwok Ho Jonathan	
Mr. Cheung Man Yu	
Ms. Lan Fang	
Dr. Tao Zhigang	
Mr. Cheng Dickson	(appointed on 11 July 2018)
Mr. Fung Pui Cheung	(resigned on 11 July 2018)

Pursuant to Article 16.2 of the articles of association of the Company, Mr. Cheng Dickson shall retire from office at the 2019 AGM and, being eligible, offer himself for re-election.

Pursuant to Article 16.18 of the articles of association of the Company, Mr. Wong Luen Hei, Mr. Kong Zhaocong, Dr. Lin Shaoquan and Mr. Wong Kwok Ho Jonathan are subject to retirement by rotation at the 2019 AGM and, being eligible, offer themselves for re-election.

Biographical details of directors are set out on pages 7 to 12.

DIRECTORS SERVICE CONTRACTS

No director proposed for re-election at the 2019 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS AND CHIEF EXECUTIVE AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of SFO) as recorded in the register to be kept by the Company pursuant to

INTERESTS AND SHORT POSITIONS OF OTHER SHAREHOLDERS PURSUANT TO SFO

As at 31 December 2018, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

UBS Trustees (B.V.I.) Limited	Trustee	2,122,485,000 (L)[(b)]	68.41%
UBS Trustees (B.V.I.) Limited	ƒ ˜ [		
Xi Xi Development	Interests of controlled corporation	2,122,485,000 (L)[(b)]	68.41%
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New Fortune	Beneficial owner	2,122,485,000 (L)[(b)]	68.41%
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Note:

(a) The letter L denotes the person s long position in such securities.

(b) These shares relate to the same block of shares in the Company as those set out in note (b) in the section headed Directors and Chief Executive s Interests and Short Positions in Shares, Underlying Shares and Debentures above.

Save as disclosed above, as at 31 December 2018, the directors of the Company were not aware of any person or corporation (other than the directors and chief executive of the Company) who had

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SHARE AWARD SCHEME p /,

persons to the Group and to offer suitable incentives to attract and retain targeted talent and personnel for the con

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SHARE OPTION SCHEME (Continued)

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The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 300,000,000 Shares, representing 9.67% of the issued Shares as at 31 December 2018. The maximum number of Shares issued and to be issued upon the exercise of the options granted to any Eligible Persons (including exercised and outstanding options) in any 12-month period share not exceed 1% of the issued share capital of the Company from time to time. There is no minimum period for which an option must be held before it can be exercised. The subscription price in respect of the any particular option shall be the price as the Board may in its discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (a) the nominal value of a Share; (b) the closing price of a Share as stated in the Stock Exchange s daily quotations sheet on the offer date; and (c) the average closing price of a Share as stated in the Stock Exchange s daily quotations sheet for the five business days immediately preceding the offer date.

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The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. An offer of the grant of a share option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the date of the Board approving the grant of the share options (the Offer Date) provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant Eligible Person, being a date not later than 28 days after the Offer Date. Such remittance shall in no circumstances be refundable.

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CONNECTED TRANSACTIONS

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PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2018, the Company or any of its subsidiaries did not purchase, sell or redeem any of the Company's listed securities.

AUDITOR

A resolution will be submitted to the 2019 AGM to re-appoint Ernst & Young as auditor of the Company.

By order of the Board

Zuo Manlun
Chief Executive and Director

Hong Kong, 26 March 2019

To the shareholders of China Lesso Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Lesso Group Holdings Limited (the Company) and its subsidiaries (the Group) set out on pages 86 to 230, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants (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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter º 2Ł + °	How our audit addressed the key audit matter ‰ —`º 2Ł + °

Provision for impairment of trade and bills receivables and loan receivables (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter º 2Ł + °	How our audit addressed the key audit matter ‰ — ` º 2Ł + °
Provision for impairment of manufacturing and trading related inventories	

KEY AUDIT MATTERS (Continued)

Key audit matter ° 2Ł+°	How our audit addressed the key audit matter ‰ —`° 2Ł+°
Valuation of investment properties ‡ J8 =	
At 31 December 2018, the Group had investment properties of RMB4,650,423,000, which represented 13.4% of the total assets and were measured at fair value. The valuation of the investment	

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group s financial reporting process.

AUDITORS 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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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.

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

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- 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.

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- 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.

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

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AUDITORS RESPONSIBILITIES FOR THE AUDIT OF Ł p “ 1 2 Ł] ¥ Ì Õ˜ Y “ THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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.

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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.

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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.

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We communicate with the Audit Committee 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.

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We also provide the Audit Committee 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.

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AUDITORS RESPONSIBILITIES FOR THE AUDIT OF Ł p “ 1 2 Ł] ¥ Ì Õ˜ Y “ THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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Profit attributable to:	ł h — & P ; j		
Owners of the Company	I fi ! „ Þ[		2,293,055
Non-controlling interests	¢ S ˇ B		(27,248)
			2,265,807
Total comprehensive income attributable to:	ł h — & & ×B < X j		
Owners of the Company	I fi ! „ Þ[		2,666,410
Non-controlling interests	¢ S ˇ B		(23,992)
			2,642,418
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	I fi ! „ Þ[— & ° p fi ;	11	
Basic and diluted	? I ¿ ¯ [		RMB0.74 [O ˇ 0.74 '

As at 31 December 2018
2018 12 31

NONCURRENT ASSETS	¢ t *		
Property, plant and equipment	J 8 e @ Ò¿ £ Œ	12	7,156,134
Prepaid land lease payments	k ø z fi a #	13	1,266,216
Investment properties	‡ J 8	14	4,038,900

NONCURRENT LIABILITIES	¢ t À			
Borrowings	>	29		5,442,119
Other long-term payables	I ü — ø °			92,572
Derivative financial instruments	[D H	30		
Deferred tax liabilities	¨ • ü ° À	31		444,640
Deferred income	¨ • × B	32		137,012
Total non-current liabilities	¢ t À< X			6,116,343
Net assets	* X			13,783,491
EQUITY	˘ B			
Share capital	p I	33		135,344
Reserves	• Œ	34		13,354,571
Equity attributable to owners of the Company	I fi ! „ Þ[— & ˘ B			13,489,915
Non-controlling interests	¢ S ˘ B			293,576
Total equity	˘ B < X			13,783,491

Wong Luen Hei
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Director
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Luo Jianfeng
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Director
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Note:

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Year ended 31 December 2018
2018 12 31

OPERATING ACTIVITIES	¾ z		
Profit before tax	ðü ˆ P ;		2,954,586
Adjustments for:	1 ł h ¢ ° * ˘ j		
Interest income	; „ ×B	5	(90,785)
Government grants released	a] Y A · þ?		(3,982)
Gain on fair value changes of investment properties	‡ J 8 fi “ = ; B	5	(327,313)
Gain on fair value changes of financial instruments at fair value through profit or loss	2 fi “ =] & B Y D H Y fi “ = ; B	5	
Gain on disposal of available-for-sale investments	/ 6 / ‡ Ô{ ; B	5	(1,050)
Gain on disposal of held-to-maturity investments	/ 5 Þ Q ‡ Ô{ ; B	5	(3,315)
Gain on early redemption of available-for-sale investments	d ØÙ« 6 / ‡ Ô{ ; B	5	(39,071)
Investment income	‡ ×B	5	(2,694)
Gain on disposal of subsidiaries	/ n fi ! Ô{ ; B	5	(2,141)
Interest expenses	; „ Õ	6	229,309
Depreciation and amortisation	– ¿ ¯ V	7	646,822
(Write-back)/write-down of inventories to net realisable value, net	a « J Ûfl À‹ $ = X	7	61,843
Loss on disposal of items of other intangible assets and property, plant and equipment	/ I üÌ * q J 8 e @ Ò¿ £ Œ ° f Y f &	7	15,144
Loss on fair value changes of derivative financial instruments	[D H fi “ = f &	7	31,575
Impairment of property, plant and equipment	J 8 e @ Ò¿ £ Œ fl =	7	
Impairment of goodwill	fl =	7	
Impairment of loan receivables	— ×> fl =	7	
Impairment of contract assets	¥ Ò * fl =	7	
Impairment of trade and bills receivables, net	q ł — × ° ¿ C ‰ fl = X	7	25,268
Share of results of associates	– & L fi ! 8 6		1,404
Share of results of joint ventures	– & ¥ 8 8 6	18	(243)
			3,495,357
Decrease/(increase) in other non-current assets	I ü¢ t * fl ˙ J #		(112,968)
Increase in inventories	À‹ #		(597,026)
Increase in amounts due from customers for contract work	— × ÒY ¥ Ò ß ° #		(105,960)
Increase in contract assets	¥ Ò * #		
Decrease/(increase) in loan receivables	— ×> fl ˙ J #		(400,961)
Increase in trade and bills receivables	q ł — × ° ¿ C ‰ #		(585,273)
Increase in prepayments, deposits and other receivables	k ø e 2 ¿ I ü — × ° #		(162,834)
Increase in amounts due to customers for contract work	— ø ÒY ¥ Ò ß ° #		61,506
Increase in contract liabilities	¥ Ò À#		
Increase/(decrease) in trade and bills payables	q ł — ø ° ¿ C ‰ # J fl ˙		(546,494)
Increase in other payables and accruals	I ü— ø ° ¿ — I \ #		205,350
Increase in other long-term payables	I ü — ø ° #		12,164
Increase in deferred income	¨ • ×B #		26,686
Cash generated from operations	¾ * [Y $		1,289,547
Bank interest received	×Õ ; „		82,378
Corporate income tax paid	ø 8 Ô{ ü		(444,885)
Net cash flows from operating activities	¾ z Ô{ $ t X		927,040

INVESTING ACTIVITIES	‡ z		
Purchases of items of property, plant and equipment	o J 8 e @ Ò¿ £ Œ ° f		(1,472,510)
Proceeds from disposal of items of other intangible assets and property, plant and equipment	8 / l üÌ * q J 8 e @ Ò¿ £ Œ ° f Y Ô{ °		15,169
Additions to prepaid land lease payments	k ø z fi a # #		(26,218)
Additions to investment properties	‡ J 8 #		(1,452,169)
Additions to other intangible assets	l üÌ * #		(5,692)
Additions to associates	L fi ! #		(42,728)
Additions to joint ventures	¥ 8 #		(6,787)
Acquisitions of subsidiaries	× n fi !	36	(10,103)
Proceeds from disposal of subsidiaries	/ n fi ! Ô{ °	37	23,346
Purchases of available-for-sale investments	o 6 / ‡		(854,550)
Proceeds from disposal of available-for-sale investments	/ 6 / ‡ Ô{ °		30,225
Proceeds from early redemption of available-for-sale investments	d ØÙ« 6 / ‡ Ô{ °		28,073
Purchases of held-to-maturity investments	o 5 Þ Q ‡		(6,802)
Proceeds from disposal of held-to-maturity investments	/ 5 Þ Q ‡ Ô{ °		34,550
Purchases of other financial assets	o l ü D *		
Proceeds from disposal of other financial assets	/ l ü D * Ô{ °		
Proceeds from early redemption of convertible notes	d ØÙ« l p C ‰ Ô{ °		
Investment income received	×‡ ×B		2,694
Interest received from other financial assets	×l ü D * Y ; „		
Interest received from available-for-sale investments	× 6 / ‡ Y ; „		3,291
Interest received from held-to-maturity investments	×5 Þ Q ‡ Y ; „		3,294
Contingent consideration paid for the acquisition of subsidiaries	ø × n fi ! Y — ˝ þ		(32,000)
Prepayment for acquisition of a subsidiary	k ø × S n fi ! °		
Proceeds from assignment of rights of receivables	7 + — × ° ˇ ; Ô{ °		29,937
(Increase)/decrease in restricted cash	a " S $ # J fl ˙		40,614
Nete)/d98U<ws used in investing activities	‡ z Ô\ $ t X		(3,698,366)
FINANCING ACTIVITIES	D z		
New bank borrowings raised	- # Õ >		9,777,894
Repayment of bank and other loans	µ Õ ¿ l ür		(5,790,147)
Capital contributions from non-controlling interests	¢ S ˇ B		39,073
Acquisition of non-controlling interests	× ¢ S ˇ B		(2,700)
Interest paid	ø ; „		(211,453)
Dividends paid	ø p „		(411,288)
Nete)/d98U<ws from financing activities	D z Ô{ $ t X		3,401,379
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ ¿ $ J # X		630,053
Ca/d9and)/d9equivalents at beginning of the year	¸ Y $ ¿ $ J		3,070,458
Effect of foreign exchange rate changes, net	. ˇ Ò Y B / X		(22,752)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	¸ K Y $ ¿ $ J		3,677,759
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	$ ¿ $ J Y q –		
Time deposits with original maturity of three months or less when acquired	À ı _ Ûa Þ " g H Ü— ł h	26	102,539
Ca/d9and bank balances	$ ¿ Õ q	26	3,575,220
			3,677,759

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The addresses of its registered office and principal places of business are disclosed in the section headed "Corporate Information" of this report.

The Company is an investment holding company. Particulars of the Company's principal subsidiaries, associates and joint ventures are set out in notes 45, 17 and 18 to the consolidated financial statements, respectively.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment

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2.1 BASIS OF PREPARATION (Continued)

BASIS OF CONSOLIDATION (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) the contractual arrangement with the other vote holders of the investee;

(ii) rights arising from other contractual arrangements; and

(iii) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 6 A ¿ Þ£ + °

HKFRS 9 (Continued)

Classification and Measurement

The following information sets out the impacts of adopting HKFRS 9 on the consolidated statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

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A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

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Financial assets	D *						
Available-for-sale investments	6 / ‡		AFS	1,582,208	(1,582,208)	N/A	
Equity instruments at fair value through other comprehensive income	2 fi " =] l ü & × B Y p l H	(i)	N/A		1,574,273	FVOCI (equity) FVOCI ˇ B	1,574,273
Debt instruments at fair value through other comprehensive income	2 fi " =] l ü & × B Y À H	(ii)	N/A		7,935	FVOCI (debt) FVOCI À	7,935
Loan receivables	— x >		L&R	789,916		AC	789,916
Trade and bills receivables	q ł — x ° ¿ C ‰	(iii)	L&R	2,024,608		AC	2,024,608
Financial assets included in prepayments, deposits and other receivables	] k ø e 2 ¿ l ü — x ° Y D *		L&R	228,030		AC	228,030
Cash and bank deposits	$ ¿ Õ À		L&R	4,452,370		AC	4,452,370
				9,077,132			9,077,132
Total assets	* < X			27,973,625			27,973,625

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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HKFRS 9 (Continued)
Classification and Measurement (Continued)

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Financial liabilities	D À				
Trade and bills payables	q ł — ø ° ¿ C ‰	AC	3,021,085	AC	3,021,085
Financial liabilities included in other payables and accruals	] l ü — ø ° ¿ — l \ Y D À	AC	646,765	AC	646,765
Other long-term payables	l ü — ø °	AC	92,572	AC	92,572
Borrowings	>	AC	8,319,375	AC	8,319,375
			12,079,797		12,079,797
Total liabilities	À < X		14,190,134		14,190,134

Note:

(a) AC: Financial assets or financial liabilities at amortised cost
AFS: Available-for-sale investments
FVOCI: Financial assets at fair value through other comprehensive income
L&R: Loans and receivables
N/A: Not applicable

(i) The Group has elected the option to irrevocably designate all of its previous available-for-sale equity investments as equity instruments at fair value through other comprehensive income.

(ii) As of 1 January 2018, the Group has assessed its liquidity portfolio of debt investments which had previously been classified as AFS debt investments. The objective of the Group in holding this liquidity portfolio is to earn interest income and, at the same time, manage everyday liquidity needs. The Group concluded that these debt investments are managed within a business model to collect contractual cash flows and to sell the financial assets. Accordingly, the Group has classified these investments as debt instruments at fair value through other comprehensive income.

(iii) The gross carrying amounts of the trade and bills receivables under the column HKAS 39 measurement Amount represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 (Continued)

Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life on trade and bills receivables and contract assets, and general approach and recorded twelve-month expected credit losses on other financial assets, loan receivables and financial assets included in prepayments, deposits and other receivables. The aforesaid transition upon the adoption of HKFRS 9 does not have material impact on the Group s consolidated financial statements.

As a result of the application of HKFRS 9, the Group has changed the accounting policy with respect to investments and other financial assets in note 2.4 to the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 15

HKFRS 15 and its amendments replace HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new 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. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the consolidated financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the consolidated financial statements.

The Group adopted HKFRS 15 using the modified retrospective method of adoption and it elected to apply that method only to those contracts that were not completed at the date of initial application. The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 11, HKAS 18 and related interpretations.

The cumulative effect of the initial application of HKFRS 15 was immaterial and no opening balance of retained profits as at 1 January 2018 was adjusted. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 15 (Continued)

Consolidated statement of financial position as at 31 December 2018:

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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The Group s investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group s share of net assets under the equity method of accounting, less any impairment losses.

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The Group s share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group s interests in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group s investments in associates or joint ventures.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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INTEREST IN JOINT OPERATION

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

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The Group recognises in relation to its interest in a joint operation:

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- its assets, including its share of any assets held jointly;

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  * ¡

- its liabilities, including its share of any liabilities incurred jointly;

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- its revenue from the sale of its share of the output arising from the joint operation;

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- its share of the revenue from the sale of the output by the joint operation; and

  / ¥ 8 * — & ×] ¡ ¿

- its expenses, including its share of any expenses incurred jointly.

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The assets, liabilities, revenues and expenses relating to the Group s interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition-date fair value which is the sum of the acquisition-date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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BUSINESS COMBINATIONS AND GOODWILL (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group will perform its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FAIR VALUE MEASUREMENT

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities	K S t Ñ ? ı · * — Àı z 9 Y J ¾ ˘
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly	K Z t Ñ 2 = Ù, d þ ` fi “ = þ n } Y ð- 4 i] p ‰ \ — H À{
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable	K g t Ñ 2 = Ù, d þ ` fi “ = þ n } Y ð- 4 i] p ‰ H À{

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (Continued)
For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NONFINANCIAL ASSETS
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

RELATED PARTIES
A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person s family and that person

(i) has control or joint control of the Group;

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY PLANT AND EQUIPMENT AND DEPRECIATION (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and other assets under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost represents the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. 7

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

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Computer Software

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Research and Development Costs

All research costs are charged to profit or loss as incurred.

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Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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Deferred development costs are stated at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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Patents and Proprietary Technologies

Purchased patents and proprietary technologies acquired are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years to 20 years.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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LEASES (Continued)

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Finance Leases (Continued)

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When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as loan receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

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Operating Leases

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Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms.

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Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENT AND OTHER FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 218)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset s contractual cash flow characteristics and the Group s business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the poicomponent expedient ar67.5 (f)0.6 (i)0.5 (n)0.6 (a Tc 3 Tc 0R.5 (n)v.5 (n)n
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT AND OTHER FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 218) (continued)

Subsequent Measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments) (continued)

For debt instruments at FVTOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation and are not held for trading*. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVTOCI are not subject to impairment assessment.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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INVESTMENTS AND OTHER FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 218) (continued)

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Subsequent Measurement (continued)

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Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

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FINANCIAL INSTRUMENTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 218)

Financial assets and financial d88bilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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Financial assets and financial d88bilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial d88bilities (other than financial assets and financial d88bilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial d88bilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial d88bilities at FVTPL are recognised immediately in profit or loss. The subsequent measurement of financial assets and financial d88bilities depends on their classification.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 218) (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is 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
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FINANCIAL INSTRUMENTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 218) (continued)
Financial Assets (continued)
Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity.

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Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment losses.

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Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

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

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Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) financial assets at FVTPL, (b) held-to-maturity investments or (c) loans and receivables.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 ô 6 A ?

FINANCIAL INSTRUMENTS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 218) (continued)

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Financial assets (continued)

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Available-for-sale financial assets (continued)

6 / D *

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit or loss.

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Dividends on available-for-sale equity investments are recognised in profit or loss when the Group s right to receive the dividends is established.

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The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary assets. Other foreign exchange gains and losses are recognised in other comprehensive income.

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Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 218)

The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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General Approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

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The Group considers a financial asset in default when contractual payments are 5 years past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 218) (Continued)

General Approach (Continued)

Debt instruments at FVTOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified Approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade and bills receivables that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 ô 6 A ?

IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (Continued)

Financial Assets Carried at Amortised Cost (Continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial Assets Carried at Cost

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset s carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (Continued)

Available-For-Sale Financial Assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 218) (Continued)

Available For Sale Financial Assets (Continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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Financial Liabilities and Equity Instruments

Classification as debt or equity

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

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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 a group entity are recognised at the proceeds received, net of direct issue costs.

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Repurchase of the Company s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company s own equity instruments.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (Continued)

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the date of initial recognition, and only if the criteria in HKFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DERIVATIVE FINANCIAL INSTRUMENTS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

Initial Recognition and Subsequent Measurement

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

Embedded Derivatives

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

DERECOGNITION (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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 a96slf the Group(continues(toerecognisf the assen)-3 ( )]TJ 0.424 Tc 0.092 Tw 0 -1.444 TD [to theextuent(ofihts(c

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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DERECOGNITION (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (Continued)

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

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OFFSETTING OF FINANCIAL INSTRUMENTS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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INVENTORIES

Inventories are stated at the lower of cost and net realisable value.

Manufacturing and Trading

Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Property Development

Cost comprises land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of cash management.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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INCOME TA

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (APPLICABLE FROM 1 JANUARY 218)

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (APPLICABLE BEFORE 1 JANUARY 218)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) contract revenue from the renovation and installation work on the percentage of completion basis, as further explained in the accounting policy Construction contracts below;

(c) income from financial service including:

(i) handling fee income from factoring services and supply-chain financing services, when the relevant services have been rendered;

(ii) finance lease income, over the period of lease, as further explained in the accounting policy Leases above; and

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING 2.4 ô 6 A ?

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONSTRUCTION CONTRACTS (APPLICABLE BEFORE 1 JANUARY 218)

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONTRACT LIABILITIES (APPLICABLE FROM 1 JANUARY 218)
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

EMPLOYEE BENEFITS
Pension Schemes
In accordance with the relevant laws and regulations, the Group s employees participate in various defined contribution plans and state-management retirement benefit plans in the countries in which the Group operates. Payments to these plans, where the Group s obligations under them are equivalent to a defined contribution plan, are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments
The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

EMPLOYEE BENEFITS (Continued)

Share based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group s best estimate of the number of equity instruments that will uyons ars that 4termining the10F83s602DA02s90.08 Tw T*.23[(taken into accouitions

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

The Company s functional currency is HK dollar while the Company s presentation currency for the consolidated financial statements is Renminbi. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each 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 at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- 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 repayment of the monetary items.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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FOREIGN CURRENCIES (Continued)
For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group s foreign operations are translated into Renminbi using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interests as appropriate).

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On disposal of a foreign operation, all of the exchange differences accumulated in equity in respect of the operation attributable to the owners of the Company are reclassified to profit or loss.

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Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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The preparation of the Group s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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Deferred Tax Liabilities

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Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

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If these undistributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have increased by the same amount of approximately RMB350,709,000 (2017: RMB275,791,000).

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ESTIMATION UNCERTAINTY

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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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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Impairment of Goodwill, Brand Name and Operating Concession Rights

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The Group determines whether goodwill, brand name and operating concession rights with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill, brand name and operating concession rights are allocated. Estimating the value in use requires the Group to make an estimation of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. At the end of the reporting period, the carrying amounts of goodwill, brand name and operating concession rights were RMB363,133,000 (2017: RMB85,309,000), RMB110,520,000 (2017: RMB110,520,000) and RMB24,550,000 (2017: RMB24,550,000), respectively. Further details are disclosed in note 16 to the consolidated financial statements.

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4. OPERATING SEGMENT INFORMATION (Continued)

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OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 218

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Segment revenue:	– ¯ x] j
Sale of goods	V / ‹ Ü
Contact revenue from renovation and installation works	L ¿ ˜ ß ¥ Ò x]
Income from environmental engineering and other related services	/ ß ¿ l ü · º x B
Financial service income	D x B
Property rental and other related services	J 8 a # ¿ l ü · º
Revenue from external customers	. ¯ Ò x]
Intersegment revenue	– ¯ x]
Total	¥
Segment results	– ¯ 8 6
Reconciliations:	` * j
Interest income	; „ x B
Gain on fair value changes of investment properties	‡ J 8 fi " = ; B
Gain on fair value changes of financial instruments at FVTPL	2 fi " =] & B Y D H Y fi " = ; B
Investment income	‡ x B
Gain on disposal of subsidiaries	/ n fi ! Ô (; B
Exchange loss	Ò 3 f &
Finance costs	D Ó l
Share of results of associates	– & L fi ! 8 6
Share of results of joint ventures	– & ¥ 8 8 6
Unallocated income and expenses	J – ª x B ¿ Õ
Profit before tax	ð ü ˆ P ;
Segment assets	– ¯ *

4. OPERATING SEGMENT INFORMATION
(Continued)

OPERATING SEGMENT INFORMATION FOR THE YEAR ENDED 31 DECEMBER 217

Segment revenue:	– ¯ x] j									
Sale of goods	V / ‹ Ü	11,104,426	2,104,769	2,209,365	1,216,465	1,335,757	738,822	459,715	691,447	19,860,766
Contract revenue from renovation and installation works	L ¿ ˜ ß ¥ Ò x]	206,688				4,979				211,667
Income from environmental engineering and other related services	/ ß ¿ l ü · º ×B	142,614	10,465	16,531	7,047		7,258	147		184,062
Financial service income	D ×B	41,219	294	5,010	172		27			46,722
Property rental and other related services	J 8 a # ¿ l ü · º 46,721	25,692							31,091	56,783

Revenue from exteE2 235.2756 5D>50nue from /TxteE6707D1 475.0159 Tm ( )Tj 0BC 0 0518D2 Td <03D7025D>Tj /T1_0 1 Tf 0 Tc 0 T6j 7.412 0Td 520,6396,531 24( )Tj 8.246 0Td340,7365,010 Re56 5D>50nue from /TxteE6707D1 475.0159 Tm ( )2B10BC 0D9C Td <03D7025

D>Tj1/T1_0

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5. REVENUE OTHER REVENUE INCOME AND GAINS (Continued)

5. ×] e l ü×] e ×B ¿ ; B

REVENUE (Continued)

×]

By geographical locations:

2 fi # ˜ – j

[redacted]

Revenue from contracts with customers:	8 ÒY ÒY ×] j			
Mainland China	7 « fi	19,169,319	395,729	19,565,048
Outside China	7 /.	691,447		691,447
Sub-total		19,860,766	395,729	20,256,495

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k Z ı S ¸ ł j ‰ ' Y q h 5 Ò“
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5 Ò“ k Z fl S ¸ « ‰ ' f ł j Þ£
Y X < a Ò… Y þ f

5. REVENUE OTHER REVENUE INCOME AND GAINS (Continued)

5. ×]eIü×]e×B¿;B

OTHER REVENUE INCOME AND GAINS

Iü×]e×B¿;B

Bank interest income	Õ;„×B		82,378
Interest income from available-for-sale investments	6 /‡ Y;„ ×B		6,822
Interest income from held-to-maturity investments	5ÞQ‡ Y ;„×B		1,585
Interest income from other financial assets	Iü D * Y;„×B		
Total interest income	;„×B<X		90,785
Government grants and subsidies	A·þ?¿þh		30,173
Gain on fair value changes of investment properties	‡ J 8 fi " = ;B		327,313
Gain on fair value changes of financial instruments at FVTPL	2 fi " =]&B Y D H Y fi " = ;B		
Gain on disposal of available-for-sale investments	/ 6 /‡ Ô{ ;B		1,050
Gain on disposal of held-to-maturity investments	/5ÞQ‡ Ô{;B		3,315
Gain on early redemption of available-for-sale investments	dØÙ« 6 /‡ Ô{;B		39,071
Investment income	‡ ×B		2,694
Gain on disposal of subsidiaries	/ n fi ! Ô{;B		2,141
Exchange gain	Ò3;B		23,483
Others	Iü		48,625
			568,650

Government grants and subsidies mainly represent funding received from government authorities to support certain of the Group s research and development activities. There are no unfulfilled conditions or contingencies related to these grants and subsidies.

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6. FINANCE COSTS

6. DÓI

Interest expenses on bank and other loans	Õ¿Iür Y;„ Õ		231,920
Less: Interest capitalised	fl j I•;„		(2,611)
			229,309

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

7. ðüˆP; X

I« Yðüˆ P; W¾ÔðJ]h
¢° :çj

Cost of inventories sold	/À‹ÓI		14,653,632
Direct cost of renovation and installation works	L¿˜ ß \ ÓI		190,030
Direct cost of environmental engineering and other related services	/ß¿Iü·º \ ÓI		108,249
Direct cost of financial services	D \ ÓI		2,351
Direct cost of property rental and other related services	J8a#¿Iü·º \ ÓI		27,112
(Write-back)/write-down of inventories to net realisable value, net	a« JÛflÀ‹ $ = X		61,843
Depreciation	–	12	603,560
Amortisation of prepaid land lease payments	køzfia# ¯V	13	26,867
Amortisation of other intangible assets	IüÌ *¯V	15	16,395
Total depreciation and amortisation	–¿¯V<X		646,822
Minimum lease payments under operating leases in respect of land and buildings	zfi¿}`¾ a#Yð- a		58,861
Auditor's remuneration	Łp“G		7,131
Employee benefit expense (including directors' remuneration (note 8)):	pE; Õ<Ł+ ZG Wj8		
Wages and salaries	¿Z		740,048
Pension scheme contributions	×~ 6		74,611
Staff welfare and other expenses	§ PCðT /ºÙ-°		

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) DIRECTORS' REMUNERATION

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

[redacted]

[redacted]

8. Ł + Z G ¿ / ð ÷ Z G p

(a) Ł + Z G

ì ‰ G \ j 9 ˘ ¿ 0 ¥ fi ! â 7 Þ
£ Y ¸ « Ł + Z G 1 ‰ h j

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

8. Ł+ZG¿/ð÷ZG p

(a) DIRECTORS' REMUNERATION (Continued)

The remuneration of each of the directors is set out below:

(a) Ł+ZG

¢Ł+YZG1 ‰hj

[redacted]

Executive directors:	BŁ+j
Mr. Wong Luen Hei	»L$ [
Mr. Zuo Manlun	8P [
Ms. Zuo Xiaoping	8i1~{
Mr. Lai Zhiqiang	‘v [
Mr. Kong Zhaocong	ˇK [
Mr. Chen Guonan	Ó7Ì [
Dr. Lin Shaoquan	˙ø{

[redacted]

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

8. Ł + Z G ¿ / ð÷Z G p

(A) DIRECTORS' REMUNERATION (Continued)

(A) Ł + Z G

Executive directors:	B Ł + j					
Mr. Wong Luen Hei	» L $ [		624	576	16	1,216
Mr. Zuo Manlun	8 P [		614	586	38	1,238
Ms. Zuo Xiaoping	8 i 1 ~ {		624	576	16	1,216
Mr. Lai Zhiqiang	' v [		600	600	41	1,241
Mr. Kong Zhaocong	ˇ K [		600	600	41	1,241
Mr. Chen Guonan	Ó7 Ì [	624		576	27	1,227
Dr. Lin Shaoquan	` ø {		1,306	300	17	1,623
Mr. Huang Guirong	» n ò [		600	600	111	1,311
Mr. Luo Jianfeng	fl / [	624		576	16	1,216
		1,248	4,968	4,990	323	11,529
Nonexecutive director:	¢ B Ł + j					
Mr. Lin Dewei	C × [	437	36			473
Independent nonexecutive directors:	ø m ¢ B Ł + j					
Mr. Fung Pui Cheung	„ C [	282				282
Mr. Wong Kwok Ho, Jonathan	î 7 · [	282				282
Mr. Cheung Man Yu	u Ö` [	282				282
Ms. Lan Fang	y ~ {	282				282
Dr. Tao Zhigang	×] ø {	282				282
		1,410				1,410
		3,095	5,004	4,990	323	13,412

No director waived or agreed to waive any emolument and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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There were no other emoluments paid or payable to the independent non-executive directors during the year (2017: Nil).

¸ « ? Ì ø — — ø ø m ¢ B Ł + Y I üG 2017 ¸ j Ì f

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(B) FIVE HIGHEST PAID EMPLOYEES

The Group's five highest paid employees during the year were all directors. Details of the remuneration of these directors during the year are set out in note 8(A) above.

8. Ł + Z G ¿ /ð÷Z G p

(B) /ð÷Z G p

¸« dl« /ð÷Z G pi Ł + fı¸« Ł + Y Z G 1 ıjÖ W 8(A) f

9. INCOME TA

9. Ô{ ü Õ X

[redacted]

9. INCOME TA (Continued)

9. Ô{ ü Õ X

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11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

11. I fi ! „ Þ[— & ° p fi ;

The calculations of the basic and the diluted earnings per share are based on:

ì ‰ ł h ¢ ° Q ° p ? I ¿ ¯ [fi ; j

Earnings	fi ;	
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	Q ° p ? I ¿ ¯ [fi ; Û\ Q Y I fi ! „ Þ[— & P ;	2,293,055

Shares	p	
Weighted average number of ordinary shares of the Company in issue used in the basic and diluted earnings per share calculation	Q ° p ? I ¿ ¯ [fi ; Û \ Q Y I fi ! ï w • p ˘ ; i p	3,102,418,400

12. PROPERTY PLANT AND EQUIPMENT

[redacted]

Cost:	Ó j							
At 1 January 2017	ı 2017 ¸ 1 Ü1 Ú	3,551,590	3,450,646	189,524	171,102	50,377	1,595,599	9,008,838
Additions	ô˜	49,229	327,369	59,362	28,250	23,588	681,609	1,169,407
Interest capitalised	l • ; „						2,611	2,611
Acquisitions of subsidiaries	× n fi !		985	115	54			1,154
Transfers	a	635,987	238,164	805	344	9,986	(885,286)	
Disposals	/	(9,114)	(71,359)	(3,600)	(6,424)	(60)	(770)	(91,327)
Disposal of subsidiaries	/ n fi !		(102)		(1,292)	(206)		(1,600)
Exchange realignment	Ò3 ˘	(1,164)	(1,452)	(1,935)	(543)	(204)		(5,298)
	ı 2017 ¸ 12 Ü31 Ú¿							
1 January 2018	2018 ¸ 1 Ü1 Ú	4,226,528	3,944,251	244,271	191,491	83,481	1,393,763	10,083,785
Additions	ô˜	70,162	369,228	44,922	17,142	10,974	593,466	1,105,894
Acquisitions of subsidiaries	× n fi !							
(note 36)	W 36	33,574	13,899	231	4,826		160	52,690
Transfers	a	443,101	198,904	1,572	214		(643,791)	
Disposals	/	(58,852)	(86,543)	(8,533)	(9,443)	(669)	(32,790)	(196,830)
Disposal of subsidiaries	/ n fi !		(408)	(262)	(565)	(6,789)	(1,117)	(9,141)
Exchange realignment	Ò3 ˘	831	948	(50)	396	(1,233)	4,391	5,283
At 31 December 2018	ı 2018 ¸ 12 Ü31 Ú	[redacted]						
Accumulated depreciation and	] – ¿							
impairment:	fl = j							
At 1 January 2017	ı 2017 ¸ 1 Ü1 Ú	(662,228)	(1,466,973)	(113,627)	(111,367)	(17,223)	(15,467)	(2,386,885)
Provided for the year	¸ « a Œ	(182,800)	(347,766)	(35,196)	(21,703)	(16,095)		(603,560)
Disposals6[illegible]	[illegible]							

(At 1 January 2017)Tj /C0_0 1 Tf 0 Tc 17.23 0 Td <05F5>Tj /T1_0 1 Tf 0.03 Tc -0.03 Tw 14.821 08eAB11610BEA>Tj /T1 Tc -0.08 Tw 17.23 0 35186,095-1.294 Td (At 1 January 2017)Tj /C0_0 1 Tf 0 Tc 17.23 0 Td <05F5>Tj /T1_0 1 Tf 0.03 Tc -0.03 Tw

[redacted]

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¸ j [O ˘ 719,000 ' f Q n 8 ˘ z fi
ı 0 ¥ / . f

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. PREPAID LAND LEASE PAYMENTS 13. køzfia#

At 1 January	ı 1 Ü 1 Ú			1,275,459
Additions	ô˜			47,627
Acquisitions of subsidiaries	× nfi!	36		
Provided for the year	¸«aŒ	7		(26,867)
Exchange realignment	Ò3 ˇ			(2,850)
At 31 December	ı 12 Ü 31 Ú			1,293,369
Analysed for reporting purpose as:	1 SfY– j			
Non-current assets	¢t *			1,266,216
Current assets included in prepayments, deposits and other receivables	]køe2¿ Iü—×°Y t *	25		27,153
				1,293,369

14. INVESTMENT PROPERTIES3666592B6telSQBFPercep67 37276 TRMB3 Tc .3 Tw 11.76 TRMB32

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. GOODWILL AND OTHER INTANGIBLE ASSETS 15. ¿IüÌ *

(A) GOODWILL (A)

At 1 January	ı 1 Ü1 Ú			76,554
Acquisitions of subsidiaries	× n fi !	36		8,755
Impairment	fl =			
At 31 December	ı 12 Ü31 Ú			85,309

(B) OTHER INTANGIBLE ASSETS

Cost:	Ój					
At 1 January 2017	ı 2017 ¸ 1 Ü1 Ú	110,520	24,550	27,476	64,060	[illegible]

16. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purpose of impairment testing, goodwill, brand name and operating concession rights with indefinite useful lives set out in note 15 have been allocated to six individual cash generating units (CGUs), comprising one subsidiary engaging in the provision of environmental engineering services, one subsidiary engaging in the provision of sewage treatment services, two subsidiaries engaging in the provision of hazardous waste treatment services and two subsidiaries engaging in the provision of product quality inspection and calibration services for warranty instruments. The carrying amounts of goodwill, brand name and operating concession rights at the end of the reporting period allocated to these units are as follows:

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[redacted]

Guangzhou EP Environmental Engineering Ltd. and its subsidiary* (GZEP)	? ¨ 9 / › ß £ º Þ" fi ! ¿ I n fi ! GZEP
Foshan Shunde Huifengyuan Environmental Management Co., Ltd.* (Huifengyuan)	9 – C Ò. U › ß M # Þ" fi ! Ò Ù
Hainan Baolai Industrial & Trading Co., Ltd.* and its subsidiary (Baolai)	Ì 8 q Þ" fi ! ¿ I n fi ! 8
Jianghuai Inspection Corporation Services Co., Ltd.* (Jianghuai inspection)	˜ D † Œ / ƒ Ł » Þ" fi ! Œ Ł »

[redacted]

16. IMPAIRMENT TESTING ON GOODWILL AND OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

[redacted]

GZEP	GZEP	29,100	110,520	23,230
Huifengyuan	Ò. U	7,457		1,320
Baolai	8	39,997		
Jianghuai inspection	Œ Ł »			

indefinite useful leCos because they are

16. ¿ I üH Ì " 4 \ ¸ Y Ì
* fl = »

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t k » J ł M # 4 › X Y ¸ Ì k
Q ? þf $ t k » Ôfi \ Y ðü^
h $ – 9 16.2% e 14.8% e 13.4% e
13.4% e 20.3% ¿ 15.4% f ¸ Y $
t i fi \ 2.0% # “ Q f Q 4
\ = Y I üô ÿ £ ~ < k Q V / X
¿ ª ; Y $ t] J t Y Þº f

17. INTERESTS IN ASSOCIATES (Continued)

Particulars of the associates are as follows:

17. ıL fi!Y˘B

L fi!Y ‰hj

17. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the consolidated financial statements at the end of the reporting period, are as follows:

17. ı L fi ! Y ˘ B

Þº } L fi ! ı S K Y Ì Ø ? Ø 1 6 A Y ¤ . * ˘ (~] ¥ Ì Y * & = ` * ‰ h j

Current assets	t *	4,945,940	1,306,500
Non-current assets, excluding goodwill	¢ t * <	2,891,673	43,989
Goodwill on acquisition of the associates	× L fi ! * [Y	124,590	11,583
Current liabilities	t À	(4,190,051)	(114,257)
Non-current liabilities	¢ t À	(451,392)	(294,395)
Net assets	* X	3,320,760	953,420
Net assets, excluding goodwill	* X <	3,196,170	941,837
Reconciliation to the Group s interests in the associates:	~ I « ı L fi ! Y ˘ B Y ` * j		
Proportion to the Group s ownership	Ô& I « ÔÞ˘ â 7	26.28%	38%
Group s share of net assets of the associate, excluding goodwill	I « – & L fi ! Y * X <	839,953	357,898
Goodwill on acquisitions	× * [Y	124,590	11,583
Carrying amount of the investments	‡ * & =	964,543	369,481
Revenue	×]	8,402,846	140,799
Profit for the year	¸ « P ;	422,668	34,317
Other comprehensive expense	I ü & Õ	(3,042)	
Total comprehensive income for the year	¸ « & × B < X	419,626	34,317
Fair value of the Group s investments	I « ‡ fi “ =	466,785	Nil g

18. INTERESTS IN JOINT VENTURES 18. ı¥ 8Y˘B

Share of net assets	– & * X	9,024

Particulars of the joint ventures are as follows: ¥ 8Y ‰hj

Guangdong Lesso EPCO Residential Equipment Design Services Co., Ltd.*	RMB10,000,000	PRC	50	50	50	Provision of household decoration design work and maintenance services
? Lç ø¯ ˆ£Œ£ Þ"fi!	[O˘ 10,000,000 '	7	50	50	50	d6 ¢ t£ ¿jL
Eprosity Asset Management Sdn. Bhd. (Formerly known as Lesso Home Syn Tai Hung Sdn. Bhd)#	Malaysia Ringgit 1,000,000	Malaysia	51	50	51	Sale of building materials and household products
Eprosity Asset Management Sdn. Bhd. a/ ï " ƒ} ÷[Þ"fi! *#	1,000,000	ı8 -	51	50	51	V/ ¿¿ ¢*Ü

The Group acquired a 49% equity interest in Eprosity Asset Management Sdn. Bhd. (Eprosity Asset) from its joint venture partner at a total consideration of RMB1,120,000 on 3 August 2018 and became a wholly-owned subsidiary of the Group.

ı« ı2018 ¸8Ü3 Ú£ı¥ « × Eprosity Asset Management Sdn. Bhd. Eprosity Asset 49% pı˘Bd<þ [O˘ 1,120,000 'd(Ó ı« nfi !f

The following table illustrates the information of the Group s interests in joint ventures: hO ı« ı¥ 8Y˘BYØ

Share of joint ventures:	– &¥ 8m	
Profit from continuing operations	5 ¾8 P;	243
Other comprehensive income	ıü & ×B	–
Total comprehensive income	& ×B < X	243

19A XA LB EFORSA LE INVESTMENTS 19A 6 / ‡

Listed investments:	j 9 ‡ j			
Debt securities listed in Hong Kong	ı 0 ¥ j 9 À ˙ N	(i)		7,935
Equity securities listed in PRC	ı 7 j 9 p I ˙ N			412,318
Equity securities listed in Hong Kong	ı 0 ¥ j 9 p I ˙ N			1,095,840
Non-cumulative redeemable preference shares listed in Hong Kong	ı 0 ¥ j 9 ¢] Ù« · p			33,635
Perpetual capital securities listed in Hong Kong	ı 0 ¥ j 9 Q n I ˙ N			8,403
				1,558,131
Unlisted investments:	¢ j 9 ‡ m			
Equity securities	p I ˙ N	(ii)		24,077
				1,582,208

Note:

(i) The debt securities carry fixed interest at rates ranging from 6.35% to 7.00% per annum, payable semi-annually in arrears and will mature from January 2020 to March 2020.

(ii) The unlisted equity securities are issued by private entities established in PRC. They are measured at cost less any impairment losses at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their in Group has 6.3their for-sa reUnlisted inraryoaheriesnanci/Peasseinralue -0B).ecurities
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19B OTHER FINANCIAL ASSETS 19B Iü D *

Noncurrent:	¢t j			
Debt instruments at	2fi“ =]Iü &			
FVTOCI:	×BYÀ Hj	(i)		
Debt securities listed in Hong Kong	ı0¥j9À ˙N			
Debt securities listed in PRC	ı 7j9À ˙N			
Equity instruments at	2fi“ =]Iü &			
FVTOCI:	×BYpI Hj	(ii)		
Equity securities listed in PRC	ı 7j9pI ˙N			
Equity securities listed in Hong Kong	ı0¥j9pI ˙N			
Non-cumulative redeemable preference shares listed in Hong Kong	ı0¥j9¢] Ù«· p			
Perpetual capital securities listed in Hong Kong	ı0¥j9Qn I ˙N			
Unlisted equity securities	¢j9pI ˙N			
Equity instruments at	2fi“ =]&BY			
FVTPL:	pI Hj	(iii)		
Unlisted equity securities	¢j9pI ˙N			
Current:	tj			
Debt instruments at	2fi“ =]&BY			
FVTPL	À H			

19B I ü D *

W j

(i) À ˙ N Y ; „ 2 x ¸ ; § ÷5.65% 8.40% Q d ° ¸ — ° ¸ Õø ¿ Z ı 2020 ¸ 1 Ü 2023 ¸ 1 ÜQ f À ˙ N } 6 / ‡ - – ó 2 fi “ =] l ü & × B Y À H f

(ii) I « o ¿ ı l ü & ×B O ˆ – ó 6 / ‡ Y ÔÞp l H Y fi “ = f H (¢ 5 * o - dòk 6 ı Z 8 / f ı — \ 0 ¥ Ì S _ ˘ K 9 î Úd } 6 / ‡ - – ó 2 fi “ =] l ü & ×B Y p l H [O ˘ 1,574,273,000 ' d l Þº ˆ ì ‰ 0 ¥ 6 _ ˘ K 39 î 2 Ól Ôðfl = Y ¢ j 9 p l H [O ˘ 24,077,000 ' fı

2. LOAN RECEIVABLES 2. — ×>

Noncurrent:	¢t j		
Finance lease receivables	D a# — × °		228,710
Current:	t j		
Finance lease receivables	D a# — × °		109,677
Factoring receivables	›# — × °		321,929
Receivables from supply-chain financing services	6 — Æ D — × °		129,600
			561,206
Less: Provision for impairment	fl j fl = a Œ		
			561,206
			789,916

(a) FINANCE LEASE RECEIVABLES (a) D a# — × °

Not more than 1 year	µı 1¸	117,912	109,677
Over 1 year but within 5 years	1¸ł j 5¸ ł«	272,151	228,710
		390,063	338,387
Less: Unearned finance income	fl j J ... $ D ×B	(51,676)	
Present value of minimum lease receivables	ð- a# — × °$=	338,387	

The Group s finance lease receivables are denominated in Renminbi. The effective interest rates of the receivables ranged from 5.89% to 12.70% (2017: 5.89% to 12.70%) per annum. There are no unguaranteed residual values of assets leased under finance leases and no contingent rent arrangements that needed to be recognised (2017: Nil).

I « Y D a# — × °ł [O˘ =f — × °Y ... ç¸; §÷5.89% 12.70% 2017¸j 5.89% 12.70% f?Ì D a# *YJ˜›ıq =duÌ †‰'—˝a#˜° 2017¸j Ìf

2. LOAN RECEIVABLES (Continued)

(A) FINANCE LEASE RECEIVABLES (Continued)

The following is a credit quality analysis of these finance lease receivables:

2. LOAN RECEIVABLES (Continued) 2. — ×>

(B) FACTORING RECEIVABLES (Continued) (B) › # — × °
The maturity profile of the factoring receivables at the end of the reporting period is as follows: ı S Kd › # — × °YQ 1 ‰ hj

With a residual maturity of:	q "j	
Not more than 3 months	µı 3 HÜ	44,700
Over 3 months to 6 months	3 HÜ‡j 6 HÜ	125,000
Over 6 months to 12 months	6 HÜ‡j 12 HÜ	152,229
Overdue	C	
		321,929

At the end of the reporting period, RMB159,500,000 of the Group s factoring receivables was impaired (2017: Nil). ı S Kd[O˘ 159,500,000 ' YI« Y› # — × ° fl= 2017 ¸jÌf

(C) RECEIVABLES FROM SUPPLY-CHAIN FINANCING SERVICES (C) 6 — Æ D — × °

The Group s receivables from supply-chain financing services arise from the provision of supply-chain financing services to companies located in PRC. The credit period for each customer is generally within 365 days. I« Y 6 — Æ D — × °8 £ 7fi!d 6 6 — Æ D f ¢ ÒY ƒ \ "S 365 ´« f

These receivables carry interest at rates ranging from 5.40% to 10.80% per annum (2017: 5.40% to 7.20%). — × ° 2 § ÷5.40% 10.80% Y ¸; 2017 ¸j5.40% 7.20%„f

Certain receivables from supply-chain financing services, amounting to RMB80,170,000 (2017: RMB50,000,000) are secured by certain interests of companies and personal guarantees. ð 6 — Æ D — × °[O ˘ 80,170,000 ' 2017 ¸j[O˘ 50,000,000 ' ł ð fi!˘B ¿H [˜› * Œ åf

2. LOAN RECEIVABLES (Continued) 2. — ×>

(C) RECEIVABLES FROM SUPPLY-CHAIN FINANCING SERVICES (Continued)

The maturity profile of the receivables from supply-chain financing services at the end of the reporting period is as follows:

(C) 6 — Æ D — × °

ı S K d 6 — Æ D — × ° Y Q 1 ‰ h j

With a residual maturity of:	q " j		
Not more than 3 months	µı 3 H Ü		95,600
Over 3 months to 6 months	3 H Ül j	6 H Ü	34,000
Over 6 months to 12 months	6 H Ül j	12 H Ü	
			129,600

At the end of the reporting period, none of the Group s receivables from supply-chain financing services was either past due or impaired (2017: Nil).

An impairment analysis is performed at each reporting date by considering the probability of default of those companies with financial conditions, historical loss experience, coverage by letters of credit or other forms of credit insurance. At

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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22. INVENTORIES 22. À‹

23A AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

23A — ×J — ø ÒY ¥ Ò ß °

Contracts in progress at the end of the reporting period	ı S K Y fl ¥ Ò	
Contract costs incurred plus recognised profits less recognised losses to date	*f* * [¥ ÒÓl ‰ ' P ; fl ‰ ' f &	1,292,781
Less: Progress billings	fl j l	(1,125,097)
		167,684
Analysed for reporting purposes as:	1 S f Y – j	
Amounts due from customers for contract work	— × ÒY ¥ Ò ß °	269,239
Amounts due to customers for contract work	— ø ÒY ¥ Ò ß °	(101,555)
		167,684

Note:

Upon the adoption of HKFRS 15, the Group has reclassified the amounts due from/to contract customers for contract work to contract assets/liabilities.

23B CONTRACT ASSETS/CONTRACT LIABILITIES

23B CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

23B ¥Ò *J¥ÒÀ

The Group's contract assets represent the Group's rights to consideration for work completed but not yet billed to customers at the end of reporting period. The contract assets will be transferred to trade and bills receivables when the rights become unconditional, that is, when the Group issue progress billings to customers based on the certified amount agreed with customers.

I« Y¥Ò *8I« ı S K (J£Ò1 ß×_þ Y˘;f ˘;ÓÌâ Ûd¥Ò *Z67 E qł—× °¿C‰dCI« ?ı ~ ÒX YŁ˙ X£Òï lf

At the end of reporting period, RMB21,855,000 was recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 24 to the consolidated financial statements.

ı S Kd[O˘ 21,855,000 '‰' ¥Ò *k ƒrf&aŒfI« ~ ÒYqłâ ¿ƒrA Þ£ı]¥Ì W 24f

The Group's contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received consideration, or for which an amount of consideration is due from the customers.

I« Y¥ÒÀ8I« £Ò7+I « ×_þ——×Òþ XY‹ Ü— Y“ f

The expected timing of recovery or settlement for contract assets at the end of the reporting period is as follows:

ı S Kd×«— Q¥Ò *Yk Û‰hj

Not more than 1 year	µı 1¸
Over 1 year	1¸łj

23B CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

For the contract assets arising from renovation and

24. TRADE AND BILLS RECEIVABLES 24. q ł — × ° ¿ C ‰

Trade receivables	q ł — × °		1,981,994
Bills receivable	— × C ‰		187,675
Less: Provision for impairment	fl j fl = a Œ		(145,061)
			2,024,608

The Group s major customers are independent distributors,
civil contractors, property developers, utility c 0 1 Perceptual n05276 557.dunicipaliti 0.Colo(i)Colo(n ar)Colo(i)Colo(nl)Co

24. TRADE AND BILLS RECEIVABLES (Continued)

24. q ł — × ° ¿ C ‰

An aging analysis of the Group s trade and bills receivables at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

ı S K d l « Y q ł — × ° ¿ C ‰ 2 ï C Ú (Ôðf & a Œ Y * g – ‰ h j

Not more than 3 months	µı 3 H Ü	1,063,621
Over 3 months to 6 months	3 H Ü ł j 6 H Ü	438,828
Over 6 months to 12 months	6 H Ü ł j 12 H Ü	248,608
Over 1 year to 2 years	1 ¸ ł j 2 ¸	173,230
Over 2 years to 3 years	2 ¸ ł j 3 ¸	90,318
Over 3 years	3 ¸ ł j	10,003
		2,024,608

TRANSFERRED FINANCIAL ASSETS THAT ARE NOT DERECOGNISED IN THEIR ENTIRETY

At the end of the reporting period, the Group entered into a factoring arrangement (the Arrangement) to transfer a bill receivable (the Factoring Bill) to a third-party factoring company in PRC with a carrying amount in aggregate of RMB250,000,000 (2017: Nil). Under the Arrangement, the Group may be required to reimburse the third-party factoring company for loss of principal and interest if any trade debtors have late payment up to 30 days. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Factoring Bill, and accordingly, it continued to recognise the full carrying amounts of the Factoring Bill. Subsequent to the transfer, the Group did not retain any rights on the use of the Factoring Bill, including the sale, transfer or pledge of the Factoring Bill to any other third parties. The associated liabilities recognised relating to the Factoring Bill at the end of the reporting period were RMB250,000,000 (2017: Nil).

J ^ ß‰ ' Y 7 + D *

ı S K d l « m › # ˜ ° ˜ ° d £ S 7 K g Ù› # fi ! 7 + * & < = [O ˘ 250,000,000 ' Y — × C ‰ › # C ‰ 2017 ¸ j Ì f ì ‰ ˜ ° d J q ł À [• p ø : 30 ´ d ˘ l « † £ K g Ù› # fi ! µ l l ¿ ; „ & 0 f Ł + ' d l « › 5 } , ¿ « < ~ › # C ‰ Þº Y < Ò, d B l 1 p ‰ ' › # C ‰ Y * & = f ı 7 + d l « (Ì › 5 4 \ › # C ‰ < £ l üK g Ù / e 7 + — Œ å› # C ‰ Y ˘ ; f ı S K d ~ › # C ‰ Þº Y ‰ ' · º À [O ˘ 250,000,000' 2017 ¸ j Ì f

24. TRADE AND BILLS RECEIVABLES (Continued)

TRANSFERRED FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At the end of the reporting period, the Group entered into a factoring arrangement to transfer a bill receivable (the Derecognised Bill) to a third-party factoring company in mainland China with a carrying amount in aggregate of RMB241,083,000 (2017: Nil). The Derecognised Bill had a maturity of twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bill have a right of recourse against the Group if the trade debtors default (the Continuing Involvement). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bill. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bill. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bill and the undiscounted cash flow to repurchase the Derecognised Bill is equal to its carrying amount. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bill is not significant.

At the end of the reporting period, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bill. No gain or loss was recognised from the Continuing Involvement, both during the year or cumulatively. The factoring business has been made sporadically.

The movements in the loss allowance for impairment of the Group's trade and bills receivables are as follows:

24. TRADE AND BILLS RECEIVABLES (Continued)

24. q ł — × ° ¿ C ‰

IMPAIRMENT UNDER HKFRS 9 FOR THE YEAR ENDED 31 DECEMBER 218

Ú 218 ¸ 12 Ü31 Úß¸ 0 ¥ Ì S _ ˇ K 9 î Y fl =

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

I « ı ¢ S Ú 4 \ a Œ l ì fl = – ł k ƒ r f & fa Œ 1 Þó ' f & | Ì Y ¢ Ò– ¯ \ 9 C 2 fi e * ÜóŁ e ÒóŁ ¿ Y t d ł ¿ ƒ \ ˙ ¿ l ü Ì Y ƒ \ › Y ï C Ú > f Q ÀH — ˝ ˇ Y e ‹ ˇ Û = ł ¿ ı S Ú { Þº @ » + e $ 1 ¿ J 8 ¾ö K 1 k » Y Y ¥ # Õ5 Øf

Set out below is the information about the credit risk exposure on the Group s trade and bills receivables using a provision matrix:

ł h 1 Þº l « 4 \ a Œ l ì Q Y q ł — × ° ¿ C ‰ Y ƒ r , Øj

Expected credit loss rate	k ƒ r f &
Gross carrying amount	* & < =
Expected credit losses	k ƒ r f &

24. TRADE AND BILLS RECEIVABLES (Continued)

IMPAIRMENT UNDER HKAS 39 FOR THE YEAR ENDED 31 DECEMBER 217

The above provision of RMB145,061,000, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was for individually impaired trade and

25. PREPAYMENTS DEPOSITS AND OTHER RECEIVABLES

Prepayments	k ø			1,020,050
Current portion of prepaid land lease payments	k ø z fi a # Y t ¯ –	13		27,153
Value-added tax recoverable	Œ Ô# = ü			259,512
Corporate income tax recoverable	Œ Ô 8 Ô{ ü			182
Deposits	2			78,380
Receivable from early redemption of convertible notes	8 d ØÙ« l p C ‰ — × °			145,508
Other receivables	l ü — × °			82,522
Loan receivables from third parties	8 K g Ù>			
				1,613,307

The financial assets included in the above balances are unsecured, interest-free and receivable on demand.

26. CASH AND BANK DEPOSITS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. TRADE AND BILLS PAYABLES

27. q ł — ø ° ¿ C ‰

Trade payables	q ł — ø °		918,375
Bills payable	— ø C ‰		2,102,710
			3,021,085

The trade payables are interest-free and are normally settled on terms of 30 to 90 days.

An aging analysis of the Group s trade and bills payables at the end of the reporting period, based on the invoice date, is as follows:

			[illegible]
	µı 3 H Ü		1,914,118
	3 H Ü ł j 6 H Ü		357,082
	6 H Ü ł j 12		

W j

(a) l « > Y ... ç ¸ ; § ÷ 3.22% 5.39% 2017 ¸ j1.60% 6.00%f

(b) ı S K d ÞŒ åÕ r W ł n fi ! Y $ ¢ ¾ ˘ ˜ › ¿ l S ⁄ p Y H [˜ › f

ı 2017 ¸ 12 Ü 31 Úd ÞŒ åÕ r W ł j (i) n fi ! Y $ ¢ ¾ ˘ ¿ l S ⁄ p Y H [˜ › i(ii) l « ı d 6 › # Û×Q Y ð 8 C ‰ i ¿ (iii) ð 6 — Æ D — × ° * Œ åf

(c) ¢ S ˘ B r Ì Œ åe 5 „ ¿ ı 2019 ¸ 9 ÜQ f ¸ « d ¢ S ˘ B r ¾ / l « Y n fi ! / f

(d) ı S K d l « ł Õ' e ¥ ' e [O ˘ e æ' ¿ ' = Y > – 9 = ı [O ˘ 6,466,723,000' 2017 ¸j[O ˘ 5,213,421,000 ' e [O ˘

3. DERIVATIVE FINANCIAL INSTRUMENTS 3. [D H

Put option	' ' ˘	

The Group s derivative financial instruments are managed and the performances are evaluated on fair value basis. Any changes in fair value was recognised in profit or loss.

I « [D H ¿ I $ W 2 fi “ = ? _ M # ¿ Y f fi “ = i ı & B « ‰ ' f

The fair value of the put option has been estimated using valuation technique with unobservable inputs. Management has reviewed the valuation result by verifying all major inputs and assumptions as well as assessing the reasonableness of such valuation.

' ' ˘ Y fi “ = fi \ = Ù, ¿ H ÀY i] p ‰ f M # 4 À@ ˙ ÔÞô i] p ‰ ¿ ÿ £ ÙÌ 2 a = d (Y = ¥ # Ì f

The Group entered into a sale and purchase agreement to acquire 70% equity interest in Jiangsu Yongbao during the year. Pursuant to the agreement, the minority shareholder has the right to sell the remaining 30% equity interest to the Group after three years from the date of acquisition.

I « ı ¸ « m o - X D d × Œ = Q º 70% Y p l ˘ B f ì ‰ X D d ˙ p p × Ú ¸ g ¸ Þ˘ £ I « / ı q 30% Y p l ˘ B f

31. DEFERRED TA

31. ¨ • ü ° X

ı I ¸ ¿ j S ¸ ‰ ' Y ô ¨ • ü
° * J À ¿ I ‰ h j

31. DEFERRED TA (Continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between mainland China and the jurisdictions of the foreign investors. The applicable rate for the Group is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in mainland China in respect of their earnings generated from 1 January 2008.

At the end of the reporting period, the Group has not recognised deferred tax liabilities of RMB350,709,000 (2017: RMB275,791,000) in respect of temporary differences relating to the undistributed profits of subsidiaries, amounting to RMB7,014,180,000 (2017: RMB5,515,812,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

31. ¨ • ü° X

ì ‰ 7 8 Ô{ ü , d fl 7 « fi Óm Y . 8 £ . 7 ‡ k | Y p „ † fi v 10% Y k d Ô{ üf 2008 ¸ 1 Ü 1 Ú¸ [ÖdG \ ı 2007 ¸ 12 Ü 31 Ú ¸ { Y fi ; f J 7 « fi ~ . 7 ‡ k Ôfl ! , ˇ Þƒ ü â Òd ˇ 2 0 - ü fi v k d Ô{ üf I « Y G \ ü 5% f “ äd 1 ı 7 « fi Óm Y n fi ! 1 2008 ¸ 1 Ü 1 Ú¸ Ô{ fi ; þ – | Y p „ þ d I « † fi v k d Ô { üf

ı S K d _ ı I fi ! S n fi ! Y p „ A d ò P ; ı Z 8 – | Y Ì } d B I « (Ì ‰ ' n fi ! J – | P ; r Û¤ . [O ˇ 7,014,180,000 ' 2017 ¸ j [O ˇ 5,515,812,000 ' Y ¨ • ü ° À † ı – | › 5 P ; Û Õ ø [O ˇ 350,709,000 ' 2017 ¸ j [O ˇ 275,791,000f

32. DEFERRED INCOME

Deferred income represents government grants received by the Group as financial subsidies for the construction of new factory premises in Changchun, Daqing, Hubei and Hunan and rental income received in advance from certain of the Group s employees for leasing the staff quarters.

The government grants are released to profit or loss over the expected useful lives of the relevant premises by equal annual instalments, while rental income received in advance is recognised on the straight-line basis over the respective lease terms.

32. ¨ • ×B

¨ • ×B 8 I « × _ Y A · þ ? d * I fl F e } E e ‡ ¿ ‡ Ì 3 - @ J 8 Y Ì A þ h d ł ¿ I « £ ð p k × _ Y a # p V x a ×] f

A · þ ? ı Þº Ò* k 4 \ ¸ " « 2 ¸ ł X a] & B « ‰ ' d þ k × _ Y a ×] ˇ 2 ¢ Y a ł \ Þ , ‰ ' f

33. SHARE CAPITAL

33. p l

Authorised:	, j		
20,000,000,000 (2017: 20,000,000,000) ordinary shares of HK$0.05 each	20,000,000,000 2017 ¸ j20,000,000,000p ° p & = 0.05 ¥ ' Y w • p		HK$1,000,000,000 1,000,000,000 ¥ '
Issued and fully paid:	ï ¿ fi j		
3,102,418,400 (2017: 3,102,418,400) ordinary shares of HK$0.05 each	3,102,418,400 2017 ¸ j3,102,418,400p ° p & = 0.05 ¥ ' Y w • p		HK$155,120,920 155,120,920 ¥ '
Equivalent to	= ı		RMB135,344,000 [O ˘ 135,344,000 '

34. RESERVES

34. • Œ

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.

I « I ¸ ¿ @ » ¸ Y • Œ X ¿ I ı] ¥ ˘ B « O f

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group s subsidiaries which are established in PRC has been transferred to reserve funds which are restricted for use.

ì ‰ G \ ı . ¥ 8 Y · º , ¿ , d I « fl 7 Óm Y n fi ! Y ¯ – P ; 7 a \ ˜ a " S Y • Œ ? f

35. SHARE-BASED PAYMENTS

35. p l Q Õø

Share Option Scheme

A share option scheme was adopted by the Company on 14 May 2010 (the Share Option Scheme) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group s operations.

p ˘ ı 2010 ¸ 5 Ü 14 Úd ç , ¿ / , ` I « Y Ó ¾ * ˝ Y ¥ ł ~ [d I fi ! fi v S ° p ˘ p ˘ f

No share options have been granted under the Share Option Scheme since the adoption.

I fi ! fi v p ˘ ł 8 d (Ì ì ‰ ‹ p ˘ f

35. p l Q Õø

p /,
l fi ! ı 2018 ¸ 8 Ü 28 Úfi v p /,
p /, d ł u ð ¥ ł
[{ ` l « Ô* Y ˝ ¿ G ç
, d ä V ˇ ¿ — 5 f z [¿ [p fi
l « Y 5 ¾ ¿ J 8 ï f

36. BUSINESS COMBINATION

36. 8 ¥;

During the year, the Group entered into sale and purchase agreements to acquire equity interests in the following companies:

¸ « d l « m o - X D d × ł h fi ! Y p l ˘ B j

3 August 2018	Eprosity Asset#	1 6w	1,120,000	Provision of rental services
2018 ¸ 8 Ü3 Ú	Eprosity Asset#	1 6w	1,120,000	d 6 a #
31 August 2018	Guangdong Yugao Enterprise Management Co., Ltd.* (Guangdong Yugao)	1 6w	18,540,000	Provision of management consulting services
2018 ¸ 8 Ü31 Ú	? 9 ÷ 8 M # Þ" fi ! ? 9 ÷	1 6w	18,540,000	d 6 M # T
31 October 2018	Jiangsu Yongbao	76w	391,592,000	Provision of hazardous waste treatment services
2018 ¸ 10 Ü31 Ú	Œ = Q º	76w	391,592,000	d 6 ; Ü #
30 November 2018	Hunan Huaqing	76w	2,800,000	Product quality inspection and calibration
2018 ¸ 11 Ü30 Ú	‡ Ì 6 ö	76w	2,800,000	* Ü/ o Ł q ç_

The above acquisitions allow the Group to further diversify its businesses.

j × + l « S ÉßI 8 f

On 3 August 2018, the non-controlling shareholder has transferred a 49% equity interest of Eprosity Asset to the Group (note 18), of which the controlling right has also been transferred to the Group. Accordingly, the investment in the joint venture is remeasured to fair value at the date when the Group obtained the control and is deemed to have been disposed of in exchange with the consolidation of the subsidiary.

ı 2018 ¸ 8 Ü3 Úd ¢ p p £ l « 7 + Eprosity Asset 49% p ˘ W 18 d u £ l « 7 + p ˘ f " äd ¥ 8 Y ‡ ı l « _ { S ˘ Ú - fi " = d (V / ł l _] ¥ Q n fi ! f

36. BUSINESS COMBINATION (Continued) 36. 8 ¥ ;

The fair values of the identifiable assets and liabilities of the above companies acquired at the dates of acquisitions assumed by the Group are as follows:

ı × Údl « × j fi ! Y ˘ 9 * ¿ ÀY fi " = ‰ h j

Property, plant and equipment	J 8 e @ Ò¿ £ Œ	4		51,644	1,042	52,690
Prepaid land lease payments	k ø z fi a #			6,093		6,093
Other intangible assets	l ü Ì *			91,837		91,837
Deposits paid for purchase of land, property, plant and equipment	o z fi e J 8 e @ Ò¿ £ Œ ÔÕø Y 2			998		998
Investment in an associate	ı S L fi ! Y ‡		22,341			22,341
Other financial assets	l ü D *			52,000		52,000
Deferred tax assets	¨ • ü ° *			423		423
Inventories	À‹			3,345		3,345
Trade and bills receivables	q ł — × ° ¿ C ‰	205		31,997	491	32,693
Prepayments, deposits and other receivables	k ø e 2 ¿ l ü — × °			2,517	154	2,671
Cash and bank deposits	$ ¿ Õ À	561	5	21,916	150	22,632
Trade and bills payables	q ł — ø ° ¿ C ‰			(4,753)		(4,753)
Other payables and accruals	l ü — ø ° ¿ — l \	(22)	(3,806)	(11,705)	(303)	(15,836)
Other long-term payables	l ü — ø °			(66,517)		(66,517)
Deferred tax liabilities	¨ • ü ° À			(14,803)		(14,803)
Total identifiable net assets at fair value	˘ 9 * = < X 2 fi " =	748	18,540	164,992	1,534	185,814
Non-controlling interests	¢ S ˘ B			(49,498)	(460)	(49,958)
Goodwill arising on acquisitions	× * [Y	372		276,098	1,726	278,196
Total consideration	þ < X	1,120	18,540	391,592	2,800	414,052
Satisfied by:	À@ j					
Cash	$	738	18,540	385,000	2,800	407,078
Put option (note 30)	' ' ˘ W 30			6,592		6,592
Fair value of the Group s interests in joint ventures	l « ı ¥ 8 Y ˘ B fi " =	382				382
		1,120	18,540	391,592	2,800	414,052

The assessments of the fair values of the identifiable assets and liabilities of Jiangsu Yongbao are still in process and the information of the fair values of the identifiable assets and liabilities is provisional.

Œ = Q º Y ˘ 9 * ¿ ÀY fi " = Y Y ¥ fl d ˘ 9 * ¿ ÀY ƒ „ r ÛY f

36. BUSINESS COMBINATION (Continued)

Acquisition-related cost incurred in relation to the above acquisition is insignificant and have been excluded from the cost of acquisition and have been recognised directly as expense for the year and are included in other expenses in profit or loss.

37. DISPOSAL OF SUBSIDIARIES

During the year, the Group entered into share transfer agreements to transfer its 60% equity interest in Guangdong Lesso Home Corporate Planning Co., Ltd*., 100% equity interest in Guangdong Lesso Home Building Material China Co., Ltd*., 100% equity interest in Wuhan Lesso Mall Co., Ltd*. and 25% equity interest in Guangdong Lianging to several independent third parties respectively. Pursuant to the share transfer agreements, the Group no longer has the control over these companies.

[redacted]

Net assets disposed of:	/ * 8 X j	
Property, plant and equipment	J 8 e @ Ò¿ £ Œ	12
Other intangible assets	I üÌ *	15
Deposits paid for the purchase of land, property, plant and equipment	o z fi e J 8 e @ Ò¿ £ Œ ÔÕø Y 2	
Inventories	À‹	
Trade and bills receivables	q ł — × ° ¿ C ‰	
Prepayments, deposits and other receivables	k ø e 2 ¿ I ü— × °	
Other financial assets	I ü D *	
Cash and bank deposits	$ ¿ Õ À	
Trade and bills payables	q ł — ø ° ¿ C ‰	
Other payables and accruals	I ü— ø ° ¿ — I \	
Tax payable	— ø ü°	
Borrowing	>	
Statutory reserve	, • Œ	
Non-controlling interests	¢ S ˘ B	

39. ¾ a # ˜ °

(A) * a [
ÞV R Òd4 \¨!=×Y J

41. RELATED PARTY TRANSACTIONS AND BALANCES

41. ºL[{t ł¿ q

(A) THE GROUP'S MATERIAL TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR

(A) ¸«I« ~ºL[{Y }tł

Connected transactions	º„tł			
Transactions with companies under the common control of a director:	ıµ aS Ł+ SY fi!Y tłj			
Sales of goods and services	V/‹Ü¿	(i)#		2,626
Consumption of utilities	\fi\+8	(ii)#		1,033
Rental expenses	a Õ	(iii)#		3,907
Purchase of materials	fi ¿Ø	(iv)#		5,195
Purchase of machinery and/or equipment	fi Ú¿J —£Œ	(v)		122,993
Purchase of electronic accessories	fi e a	(v)#		28
Purchase of other intangible assets	fi IüÌ *	(v)#		
Licensing trademarks	‹ z	(vi)#		404
Hotel expenses	â‡I\	(vii)#		
Disposal of Guangdong Lesso Hardware & Building Materials Co., Ltd* (Lesso Hardware)	/? ï ¿Þ" fi! ï	(viii)		25,000
Assignment of rights of receivables	7+—×° ˘;	(ix)		29,937
Agency services from companies under the control of a director	ıaS Ł+ SY µfi!Ôd6Y þ#	(x)#		4,468
Rental expenses paid to directors	£Ł+Õø Ya Õ	(xi)#		1,613
Non connected transactions	¢º„tł			
Advisory services from a company under the significant influence of directors	ıŁ+H }B/bY SfiÔd6Y T	(x)		1,859
Design and maintenance services from a joint venture	¥ 8d6Y£¿ jL	(xii)		3,600

41. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(A) THE GROUP'S MATERIAL TRANSACTIONS WITH RELATED PARTIES DURING THE YEAR (Continued)

Note:

(i) Sale of goods and services to related companies were made with reference to the prices and conditions offered by the Group to third-party customers.

(ii) Utilities were provided by related companies at cost.

(iii) Rental expenses were based on mutually agreed terms.

(iv) Purchase of materials from related companies were made based on mutually agreed terms.

(v) Purchase of machinery, equipment and electronic accessories and other intangible assets from related companies were made with reference to the prices and conditions offered by the related companies to their third-party customers.

(vi) Licensing trademarks to related companies were conducted based on mutually agreed terms.

(vii) Hotel expenses were based on mutually agreed terms.

(viii) The consideration was agreed after arm's length negotiations with reference to the fair value of net assets of Lesso Hardware of approximately RMB25,000,000 as at 7 July 2017.

(ix) The consideration was equivalent to the amount due from Lesso Hardware of the Group as at 7 July 2017.

(x) Agency services and advisory services were provided by related companies based on mutually agreed terms.

(xi) Properties including office premises, cafeteria, workshops, warehouses and yacht were leased to the Group based on mutually agreed terms.

(xii) Services were provided by a joint venture based on mutually agreed terms.

These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules but are exempted from complying with the disclosure requirements under the Listing Rules.

41. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(D) COMPENSATION OF THE GROUP'S KEY MANAGEMENT PERSONNEL

The remuneration of the Company's directors and the senior management was as follows:

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

42. D H Y fi " =

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

(A) D H ó9 ı S Kd¢ó D H Y * & = ‰ h j

Financial assets	D *	
Financial assets at amortised cost:	*2 ¯ V ÓI * Y D * j*	
Loans receivables	— × >	20
Contract assets	¥ Ò *	23B
Trade and bills receivables	q ł — × ° ¿ C ‰	24
Other receivables	l ü — × °	
Other long-term receivables	l ü — × °	
Cash and bank deposits	$ ¿ Õ À	26
Financial assets at FVTOCI:	*2 fi " =] l ü & × B Y D * j*	
Debt instruments at FVTOCI	2 fi " =] l ü & × B Y À H	19B
Equity instruments at FVTOCI	2 fi " =] l ü & × B Y p l H	19B
Financial assets at FVTPL:	*2 fi " =] & B Y D * j*	
Debt instruments at FVTPL	2 fi " =] & B Y À H	19B
Equity instruments at FVTPL	2 fi " =] & B Y p l H	19B

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(a) CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

Financial assets			
Investments:			
Available-for-sale investments		19A	1,582,208
Loans and receivables:			
Loan receivables		20	789,916
Other long-term receivables		21	52,591
Trade and bills receivables		24	2,024,608
Other receivables			228,030
Cash and bank deposits		26	4,452,370
			7,547,515
			9,129,723

Financial liabilities			
Financial liabilities at amortised cost:			
Trade and bills payables		27	3,021,085
Financial liabilities included in other payables and accruals			646,765
Borrowings		29	8,319,375
Other long-term payables			92,572
			12,079,797
Derivative financial instruments		30	
			12,079,797

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(b) FAIR VALUE OF THE FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of reporting period:

Debt instruments at FVTPL 2 fi " =] & B Y À H å ¿KÆ U '	Discounted cash flow model h $ $ t | Ł	Discount rate h $	5.23%	1% increase in discount rate would result in decrease in fair value by RMB155,000 h $ j " 1% Z ‹ ç fi " = fl ˙ [O ˘ 155,000 ' 1% decrease in discount rate would result in increase in fair value by RMB157,000 h $ h { 1% Z ‹ ç fi " = # [O ˘ 157,000 '
Equity instruments at FVTPL 2 fi " =] & B Y p I H	Black Scholes model and discounted cash flow model : : 4 Ñ, ' v | Ł ¿ h $ $ t | Ł	Discount rate h $	20.00%	1% increase in discount rate would result in decrease in fair value by RMB2,208,000 h $ j " 1% Z ‹ ç fi " = fl ˙ [O ˘ 2,208,000 ' 1% decrease in discount rate would result in increase in fair value by RMB2,570,000 h $ h { 1% Z ‹ ç fi " = j " [O ˘ 2,570,000 '

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(j) FAIR VALUE OF THE FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE (Continued)

Assets measured at fair value:

[redacted]	[redacted]
Other financial assets	lü D *
Debt instruments at FVTOCI	2 fi " =] lü & × B Y À H
Equity instruments at FVTOCI	2 fi " =] lü & × B Y pl H
Debt instruments at FVTPL	2 fi " =] & B Y À H
Equity instruments at FVTPL	2 fi " =] & B Y pl H
	[redacted]

42. D H Y fi " =

(j) 2 fi " = Y D H Y fi " =

2 fi " = Y * j

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

42. D H Y fi " = (Continued)

(b) FAIR VALUE OF THE FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE (Continued)

(b) 2 fi " = Y D H Y fi " =

Assets measured at fair value: (Continued)

Available-for sale investments	6 / ‡			
Listed investments	j 9 ‡	1,508,158	49,973	1,558,131

The movements in fair value measurements within Level 3 during the year are as follows:

At 1 January	ı 1 Ü1 Ú	156,390
Effect of adoption of HKFRS 9	fi v 0 ¥ Ì S _ ˘ K 9 î Y B /	
At 1 January (restated)	ı 1 Ü1 Ú¾	156,390
Additions	ô˜	
Unrealised gain/(loss) recognised in profit or loss	ı & B « ‰ ' Y J … $; B J f &	(31,575)
Unrealised gain recognised in other comprehensive income	ı l ü & ×B « ‰ ' Y J … $; B	29,819
Early redemption	d ØÙ«	(149,876)
Disposal	/	
Exchange realignment	Ò3 ˘	(4,758)
At 31 December	ı 12 Ü31 Ú	
Total gain reclassified from other comprehensive income upon early redemption	" d ØÙ« þı l ü & ×B - åóY < ×B	(37,665)
Total gain included in profit or loss upon early redemption	" d ØÙ« þ] & B Y < ×B	37,771

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(b) FAIR VALUE OF THE FINANCIAL INSTRUMENTS THAT ARE MEASURED AT FAIR VALUE (Continued)

Liabilities Measured at Fair Value:

Derivative financial instruments	[D H

The Group did not have any financial liabilities measured at fair value as at 31 December 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group s principal financial instruments comprise borrowings and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group s operations. The Group has various other financial assets and liabilities such as trade and other receivables

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

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43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

CREDIT RISK (Continued)

The Group's debt instruments at FVTOCI comprised solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments.

Bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions.

The Group considers the probability of default upon initial recognition of financial assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Maximum exposure and year-end staging at the end of the reporting period.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on invoice date unless other information is available without undue cost or effort, and year-end staging classification at the end of the reporting period. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

Contract assets#	¥ Ò * #		411,930	411,930
Loan receivables	— x>	518,892		518,892
Trade and bills receivables#	q ł — x ° ¿ C ‰ #		2,379,447	2,379,447
		518,892	2,791,377	3,310,269

For contract assets and trade and bills receivables to which the Group applies the simplified approach for impairment, information based on stateirmes,ls speclatily.92. (#) T j / C 1 _ 0 1 T f

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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44. D z *[Y À`*

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES 45. ô n fi ! Y

Particulars of the Company s principal subsidiaries are as follows: I fi ! ô n fi ! Y ‰ h j

Starcorp Investment Holdings Ltd. K ‡ p Þ" fi !	BVI ı n j ' / ° ¥	US$1 1 Õ'	100% 100%		Investment holding ‡ p
Great China International Holdings Ltd. 6 ß7 ç p Þ" fi !	BVI ı n j ' / ° ¥	US$1 1 Õ'	100% 100%		Investment holding ‡ p
China Liansu Investment Limited 7 L ç‡ Þ" fi !	BVI ı n j ' / ° ¥	US$1 1 Õ'	100% 100%		Investment holding ‡ p
Liansu Group Company Limited L ç« Þ" fi !	Hong Kong 0 ¥	HK$13,000,000 13,000,000 ¥ '		100% 100%	Investment holding and sale of building materials and interior decoration products ‡ p ¿ V / ¿ ¿ ¢ * Ü
Guangdong Liansu Technology Industrial Co., Ltd.*(a) ? L ç¯ ƒ ... 8 Þ" fi ! (a)	PRC 7	HK$2,800,000,000 2,800,000,000 ¥ '		100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / çØM 8 ¿ M
Heshan Lesso Industrial Development Co., Ltd.*(b) † L ç... 8 ï Þ" fi ! (b)	PRC 7	HK$269,930,000 269,930,000 ¥ '		100% 100%	Manufacture and sale of plastic pipes and pipe fittings ¡ ¿ ¿ V / çØM 8 ¿ M

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES 45. ô n fi ! Y
(Continued)

[redacted]

Lesso Technology Development (Wuhan) Co., Ltd.*(b)	PRC	HK$111,000,000	100%	Manufacture and sale of plastic pipes and pipe fittings

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

46. Ifi!Ì K1

Information about the statement of financial position of the Company at the end of the reporting period as follows:

ı S Kd Þº Ifi!Ì K1 Y Ø‰ hj

NONCURRENT ASSETS	¢t *	
Investments in subsidiaries	ı nfi!Y ‡	7,819,079
Available-for-sale investments	6 /‡	87,551
Other financial assets	Iü D *	
Total non-current assets	¢t *< X	7,906,630
CURRENT ASSETS	t *	
Other receivables	Iü— × °	468,298
Cash and bank deposits	$ ¿ Õ À	98,908
Total current assets	t *< X	567,206
CURRENT LIABILITIES	t À	
Other payables and accruals	Iü— ø °¿— I\	2,676
Amount due to subsidiaries	— ø nfi! °	5,323,579
Borrowings	>	708,374
Total current liabilities	t À< X	6,034,629
NET CURRENT LIABILITIES	t À X	(5,467,423)
Net assets	* X	2,439,207
EQUITY	˘B	
Share capital	pI	135,344
Reserves (note)	•Œ W	2,303,863
Total equity	˘B< X	2,439,207

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

46. Ifi!Ì K1

Note: Wj

A summary of the Company s reserves is as follows: Ifi!Y•Œ? ‰hj

At 1 January 2017	ı 2017¸1Ü1Ú	1,905,618	2,612	76,000	442,723	2,426,953
Total comprehensive income for the year	¸« &×B<X		(17,595)	(158,947)	464,740	288,198
Dividends recognised as distributions to owners	‰'£„Þ[–| p„				(411,288)	(411,288)
At 31 December 2017 and 1 January 2018	ı 2017¸12Ü31Ú¿ 2018¸1Ü1Ú	1,905,618	(14,983)	(82,947)	496,175	2,303,863
Total comprehensive income for the year	¸« &×B<X		(21,400)	100,616	872,900	952,116
Dividends recognised as distributions to owners	‰'£„Þ[–| p„				(715,436)	(715,436)
At 31 December 2018	ı 2018¸12Ü31Ú					

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

47. ›X]¥Ì

The consolidated financial statements were approved and authorised for issue by the Board on 26 March 2019.

]¥Ì ı 2019¸3Ü26ÚŁ+6 ›X¿‹˘ïf

Details of the Group s investment properties at the end of the reporting period are as follows:

[redacted]

120-122, 202, 204, 847, 848,1413,1425-1430, Tambol Bang Sao Thong, Amphoe Bang Sao Thong, and 375, Tambol Bang Bo, Amphoe Bang Bo, Samut Prakarn Province	Thailand	CX	3,557,955	Freehold	75%	Under development
120-122, 202, 204, 847, 848,1413,1425-1430, Tambol Bang Sao Thong, Amphoe Bang Sao Thong, ¿ 375, Tambol Bang Bo, Amphoe Bang Bo, Samut Prakarn Province	7	CX	3,557,955	Q n 8 ˇ	75%	ï
SWC of Highway 380 & FM 26, South side of Highway 380 West of FM 26, Frisco, Texas	United States	CX	3,347,896	Freehold	100%	Planning stage
SWC of Highway 380 & FM 26, South side of Highway 380 West of FM 26, Frisco, Texas	Õ7	CX	3,347,896	Q n 8 ˇ	100%	* l
12071 Bellegrave Avenue, Jurupa Valley, California	United States	CX	4,755,918	Freehold	100%	Planning stage
12071 Bellegrave Avenue, Jurupa Valley, California	Õ7	CX	4,755,918	Q n 8 ˇ	100%	* l
1300 and 1504 Old Country Road, Westbury, Nassau County, Long Island, New York	United States	CB	723,302#	Freehold	100%	Under refurbishment
1300 and 1504 Old Country Road, Westbury, Nassau County, Long Island, New York	Õ7	CB	723,302#	Q n 8 ˇ	100%	- ß
Part of lots 23 & 24, Markham, Concession 3, Part 1 on Plan 65R-30576	Canada	IL CX	1,994,351 4,755,918	Freehold Q n 8 ˇ	100% 100%	Planning stage

Part of lots 23 & 24,IL(AB,)Tj 0 -1.278 TD (South side of Highw35,ts0418New Y1as)Tj /30B08C5027D 0 0 9 391.8343 171.5159 Tm <0358.elo

As at 31 December 2018
2018 12 31

5789, 5933, 5945, 5811, 5951 Steeles Avenue East, Toronto, Ontario	Canada	CL	1,750,241	Freehold	100%	Planning stage
5789, 5933, 5945, 5811, 5951 Steeles Avenue East, Toronto, Ontario	¯ }	CL	1,750,241	Q n 8 ˇ	100%	* l
5631-5671 Steeles Avenue East, Toronto, Ontario	Canada	CB	139,046#	Freehold	100%	Existing
5631-5671 Steeles Avenue East, Toronto, Ontario	¯ }	CB	139,046#	Q n 8 ˇ	100%	$ Þ

Lots 50, 51 & 52 in Deposited Plan 1144623,
Lots 6-10 in Deposited Plan 801210,
Lots 163, 168-182 & 216 DP8716,
Lots 4, 5 & 6 in Deposited Plan 226294,
Lots 2 in Deposited Plan 516449,
Lots 218 & 219 in Deposited Plan 457024,
Lot 2151 in Deposited Plan 135859,
Lot 1 in Deposited Plan 119616 and
Lot 7 in Deposited Plan 803359,
Augusta StreetA

Freehold	100%	Planning stage5631-56, 51 & 52 in Deposited Plan 1144623, Lots 6-10 in Deposited Plan 801210, Lots 163, 168-182 & 216 DP8716, Lots 4, 5 & 6 in Deposited Plan 226294, Lots 2 in Deposited Plan 516449, Lots 218 & 219 in Deposited Plan 457024, Lot 2151 in Deposited Plan 135859,

79-99 St Hilliers Road, Auburn, Cumberland, Sydney, New South Wales	Australia	IB	298,191#	Freehold	100%	Under refurbishment
79-99 St Hilliers Road, Auburn, Cumberland, Sydney, New South Wales	æ	IB	298,191#	Q n 8 ˇ	100%	- ß
West of Foshan-Kaiping highway, North of Longgao Road, Longjiang town, Shunde District, Foshan City, Guangdong	China	CL	1,392,982	Leasehold	100%	Under development
? † 9 – C † Œ D ÷" ł e † ÷) ł	7	CL	1,392,982	a # 8 ˇ	100%	ï
South of Longzhou West Road, East of Dengdong Road, Longjiang town, Shunde District, Foshan City, Guangdong	China	CL	221,825	Leasehold	100%	Under development
? † 9 – C † Œ D † r) Ì ~ î) t x y	7	CL	221,825	a # 8 ˇ	100%	ï

Note:

W j	CL	Commercial land 8 \ fi
	CX	Complex land] ¥ \ fi
	IL	Industrial land 8 \ fi
	CB	Commercial building 8 } `
	IB	Industrial building 8 } `
	#	Represents gross floor area 8 J 8 < } & &

Board Ł + 6	8	the board of directors of the Company I fi ! Ł + 6
BVI ı n j ' / ° ¥	8	the British Virgin Islands ı n j ' / ° ¥
China or PRC 7	8	the People s Republic of China, for the purpose of this report, excluding Hong Kong, Macau and Taiwan 6 [O q 7 d 1 I S þ d (< 0 ¥ e æ ¿ } D
Code ´ ˘	8	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules j 9 ˘ } 14 Ô1 Y 8 M 7 ´ ˘
Company or China Lesso I fi ! — 7 L ç	8	China Lesso Group Holdings Limited 7 L ç« p Þ" fi !
Current Ratio t â	8	the ratio of current assets to current liabilities t * ðł t ÀY â
EBITDA ð„ ü– ¯ ˆ fi ;	8	earnings before interest, taxes, depreciation and amortisation Ôð ; „ e ü ° e – ¿ ¯ V ˆ fi ;
Gearing Ratio * À	8	the total debts divided by the sum of total debts and total equity 2 À < X ðł À < X j ˘ B < X Y < q
Group I «	8	the Company and its subsidiaries I fi ! ¿ I n fi !
Guangdong Liansu Machinery ? L ç Ú	8	Guangdong Liansu Machinery Manufacturing Co., Ltd.*, a company indirectly wholly-owned by Mr. Wong Luen Hei and a connected person of the Company as defined under the Listing Rules ? L ç Ú ¡ ¿ Þ" fi ! d » L $ [„ ÞY fi ! d (I fi ! Y º „ [{ ¨ j 9 ˘
HK$ ¥ '	8	Hong Kong dollar, the lawful currency of Hong Kong 0 ¥ , ‹ ˘ Ñ¥ '
Hong Kong or HK 0 ¥	8	Hong Kong Special Administrative Region of the PRC 7 0 ¥ $ 9 A
IoT J L c	8	Internet of things J L c
Listing Rules j 9 ˘	8	the Rules Governing the Listing of Securities on the Stock Exchange L t Ô¨ N j 9 ˘

Macau		Macau Special Administrative Region of the PRC
æ	8	7 æ $ 9 A

Model Code

Taiwan		the Republic of China
} D	8	6 O 7
tonne(s)		a unit measuring weight, equal to 1,000 kilograms
	8	Y d · ı 1,000 fi Ø
US		the United States of America
Õ7	8	Õ; : ¥ : 7
US$		US dollar, the lawful currency of US
Õ'	8	Õ7 , ‹ ˇ ÑÕ'
Xi Xi Development		Xi Xi Development Limited, a company incorporated in the BVI
c ï	8	c ï Þ" fi ! d S ı ı n j ' / ˚ ¥ W Óm fi !
%		per cent
%	8	ı – â

* The English or Chinese translations in this report, where indicated, denote for identification purposes only.

* I S Y ı Ö— Ö G ‰ W ü ˆ 6 ˇ 9 f

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Luen Hei *(Chairman)*
Mr. Zuo Manlun *(Chief executive)*
Ms. Zuo Xiaoping
Mr. Lai Zhiqiang
Mr. Kong Zhaocong
Mr. Chen Guonan
Dr. Lin Shaoquan
Mr. Huang Guirong
Mr. Luo Jianfeng
Mr. Lin Dewei

INDEPENDENT NONE

Mr. Wong Kwok Ho Jonathan
Mr. Cheung Man Yu
Ms. Lan Fang
Dr. Tao Zhigang
Mr. Cheng Dickson

AUDIT COMMITTEE

Dr. Tao Zhigang *(Chairman)*
Mr. Wong Kwok Ho Jonathan
Mr. Cheung Man Yu
Mr. Cheng Dickson

REMUNERATION COMMITTEE

Dr. Tao Zhigang *(Chairman)*
Mr. Wong Luen Hei
Mr. Zuo Manlun
Mr. Wong Kwok Ho Jonathan
Mr. Cheung Man Yu

NOMINATION COMMITTEE

Mr. Wong Luen Hei *(Chairman)*
Mr. Zuo Manlun
Mr. Wong Kwok Ho Jonathan
Ms. Lan Fang
Dr. Tao Zhigang

COMPANY SECRETARY

Mr. Kwan Chi Wai Samuel

AUTHORISED REPRESENTATIVES

Mr. Zuo Manlun
Mr. Kwan Chi Wai Samuel

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PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Grand Cayman, KY 7 < ¯ ¸ ô 8, fi YBF02F4080514040E3803A

FINANCIAL CALENDAR

Annual results announcement:
26 March 2019

CLOSURE OF THE REGISTER OF MEMBERS:
for determining the entitlement to attend and vote at annual general meeting from 22 to 27 May 2019 (both dates inclusive)

for determining the entitlement to proposed final dividend from 3 to 5 June 2019 (both dates inclusive)

2019 annual general meeting:
27 May 2019

Payment of 2018 proposed final dividend+:
on or around 17 June 2019

PRINCIPAL SHARE REGISTRAR

MaplesFS Limited
PO Box 1093
Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712 1716, 17th Floor
Hopewell Centre
183 Queen s Road East, Wanchai
Hong Kong

INVESTOR RELATIONS

iPR Ogilvy & Mather
23rd Floor, The Centre
99 Queen s Road, Central, Hong Kong
Tel: (852) 2136 6185
Fax: (852) 3170 6606
Email: ir@lesso.com

+ Subject to approval by the Shareholders at the 2019 annual general meeting to be held on 27 May 2019.

AUDITOR	Ł p “
Ernst & Young	˜ Q 6 “ + Ô
Certified Public Accountants, Hong Kong	0 ¥ B 8 6 “
SOLICITOR	“
Ropes & Gray	ł “ + Ô
PRINCIPAL BANKERS	ô » 8 Õ
Agricultural Bank of China Limited	7 5 8 Õ p Þ" fi !
Bank of China (Hong Kong) Limited	7 Õ 0 ¥ Þ" fi !
China Merchants Bank Co., Ltd.	Ý Õ p Þ" fi !
CTBC Bank Co., Ltd., Hong Kong Branch	7 ƒ ˜ 8 Õ p Þ" fi ! 0 ¥ –
Foshan Shunde Rural Commercial Bank Company Limited	– C 5 À 8 Õ p Þ" fi !
Hang Seng Bank Limited	6ì [Õ Þ" fi !
Industrial and Commercial Bank of China (Asia) Limited	7 Õ - r Þ" fi !
Industrial and Commercial Bank of China Limited	7 Õ p Þ" fi !
Sumitomo Mitsui Banking Corporation	g ¾Õ
Taipei Fubon Commercial Bank Co., Ltd., Hong Kong Branch	(, 8 Õ p Þ" fi ! 0 ¥ –
The Hongkong and Shanghai Banking Corporation Limited	0 ¥ j @i . Õ Þ" fi !
WEBSITE	c g
http://www.lesso.com	http://www.lesso.com